

**HARRISON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2016**



# HARRISON COUNTY, TEXAS

## TABLE OF CONTENTS

SEPTEMBER 30, 2016

	<b><u>Page Number</u></b>
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	1 – 3
Management's Discussion and Analysis .....	4 – 13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	14
Statement of Activities.....	15
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds to the Statement of Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge Fund.....	21

**HARRISON COUNTY, TEXAS**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2016**

	<b><u>Page Number</u></b>
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – County Grant Fund .....	22
Statement of Net Position – Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds.....	25
Statement of Net Position – Fiduciary Funds .....	26
Statement of Changes in Fiduciary Net Position .....	27
Notes to Financial Statements.....	28 – 53
<b>Required Supplementary Information</b>	
Schedule of Changes in Net Pension Liability and Related Ratios .....	54
Schedule of Employer Contributions.....	55
Notes to Schedule of Employer Contributions .....	56
Schedule of Funding Progress – Post-retirement Health Care Benefit Plan.....	57
<b>Combining and Individual Fund Statements</b>	
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet.....	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	59

**HARRISON COUNTY, TEXAS**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2016**

	<b><u>Page Number</u></b>
Nonmajor Special Revenue Funds	
Combining Balance Sheet.....	60 – 63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	64 – 67
Combining Statement of Assets and Liabilities – Agency Funds .....	68 – 69
 <b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	70 – 71
Prior Year Schedule of Findings and Responses .....	72

**THIS PAGE LEFT BLANK INTENTIONALLY**

# **FINANCIAL SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**



P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge  
and County Commissioners  
Harrison County, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harrison County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise of Harrison County, Texas' 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harrison County, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Road and Bridge Special Revenue Fund and the County Grant Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2016 the County adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules and Schedule of Funding Progress for the Post-Retirement Health Care Benefit Plan 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 Harrison County, Texas' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017, on our consideration of the of Harrison County, Texas' 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 of Harrison County, Texas' internal control over financial reporting and compliance.

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

Waco, Texas  
June 21, 2017

**THIS PAGE LEFT BLANK INTENTIONALLY**

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

**THIS PAGE LEFT BLANK INTENTIONALLY**

## Management's Discussion and Analysis

As Management of Harrison County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2016. This information is not intended to be a complete statement of the County's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the accompanying financial statements and disclosures.

### FINANCIAL HIGHLIGHTS

- The County's net position, as indicated in the government-wide financial statements, is \$11,121,265. This is a decrease of \$1,498,875, before a prior period adjustment of \$136,522 which is a decrease of 11.7%. This decrease is comprised of a loss of \$1,498,875 from operations. The decrease was primarily caused by the allocation of the FY 2016 portion of the OPEB liability for the County and additions to accumulated depreciation. The amount of OPEB expense for the year was \$379,933 and depreciation expense was \$1,734,335.
- Total net position are comprised of: 1) net investment in capital assets, of \$17,491,566, including property and equipment, net of accumulated depreciation; 2) debt covenants, grantors, or statute restricts net position of \$2,070,820; and 3) the County's unrestricted net position at year-end is \$(8,441,121).
- Total governmental capital based long-term debt of the County decreased by \$899,178. This was primarily caused by the County paying off of general obligation debt and notes payables. The County refunded Certificate of Obligation, Series 2006 and issued General Obligation Refunding Bonds, Series 2016.
- The unassigned fund balance in the General Fund, as shown in the fund financial statements, is \$4,869,736 or 26% of General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The *Statement of Net Position* and the *Statement of Activities* provide information about the activities of the County as a whole and present a longer-term view of the County's finances. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also compare actual revenue collection and expenditures to budget. Notes to the financial statements are included to provide additional financial information.

#### 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, deferred outflows/inflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. This statement combines and consolidates governmental fund current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the County's property tax base and the condition of the County's assets.

The Statement of Activities presents information showing how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. 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 not used compensated absences). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

### **Fund Financial Statements**

Funds are established to account for money designated for specific purposes by the Commissioners' Court or by grantors such as the State of Texas. The fund financial statements differ from the government-wide statements in that they focus on significant funds rather than the County as a whole. Major funds are presented separately. The basic funds are classified by type and each type used by the County is described in the following paragraphs:

- **Governmental funds** – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information shows the amount of financial resources available in the near future to finance County programs.

In addition to the major governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, budgetary comparison statements are included for the General Fund and major Special Revenue Funds. These schedules compare actual revenue and expenditures with adopted and amended budgets.

- **Proprietary funds** – When the County charges customers for the full cost of the services provided to County units or to outside third parties, the services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The County uses Internal Service Funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities. The County has one Internal Service Fund that reports the activities of the County's self-funded health insurance program.

## **Notes to the Financial Statements**

The notes, presented immediately following the basic financial statements, are to provide additional information to facilitate the understanding of the government-wide and fund financial statements. The notes explain accounting policies and disclose additional information concerning capital assets, long-term liabilities and the County's retirement plan.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **The County as a Whole**

Our analysis of the County as a whole focuses on net position and changes in net position. Under Governmental Accounting Standards Board (GASB) standards, 2003 was the first year in which full accrual entity-wide statements were required. The Statement of Activities reports annual expenses by major function along with the charges for services and grant proceeds available to support each function. This presentation shows the cost of services that must be offset by general revenues such as property taxes.

The Summary of Net Position lists assets in the order of liquidity, beginning with cash and ending with capital assets. Receivables include unpaid property taxes and unpaid court costs and fines assessed by the courts. Each receivable is reported net of an allowance for uncollectibles account. Historical collection data for property taxes shows an average annual collection rate of 98 percent. Total land, buildings, infrastructure, equipment, and improvements (including construction in progress of \$147,405 are \$22,375,580. This amount is net of accumulated depreciation of \$23,570,914. We have to conclude that many assets (such as vehicles, office equipment, mobile equipment, etc.) exist with limited useful life that must be replaced in the near future. Liabilities are reported by current (payable in one year) and long-term classifications. Net position at year-end are \$11,121,265; a total of \$2,070,820 is restricted for specific purposes, as required by state law or grantor requirements; \$17,491,566 represents the County's net investment in capital assets, and \$(8,441,121) in unrestricted net position is available for funding general operations. Unrestricted net position decreased by \$1,817,287, total assets decreased \$2,130,436, and total net position decreased by \$1,635,397.

**HARRISON COUNTY'S NET POSITION**  
**(in Thousands)**

	Governmental Activities	
	2016	2015
Current and other assets	\$ 13,743	\$ 15,096
Capital assets	22,376	23,153
Total assets	36,118	38,249
Deferred outflows of resources	4,817	1,495
Current liabilities	3,927	3,917
Noncurrent liabilities	25,519	22,751
Total liabilities	29,446	26,668
Deferred inflows of resources	368	319
Net position:		
Net investment,		
in capital assets	17,492	17,371
Restricted	2,071	2,009
Unrestricted	( 8,441)	( 6,624)
Total net position	\$ 11,121	\$ 12,757

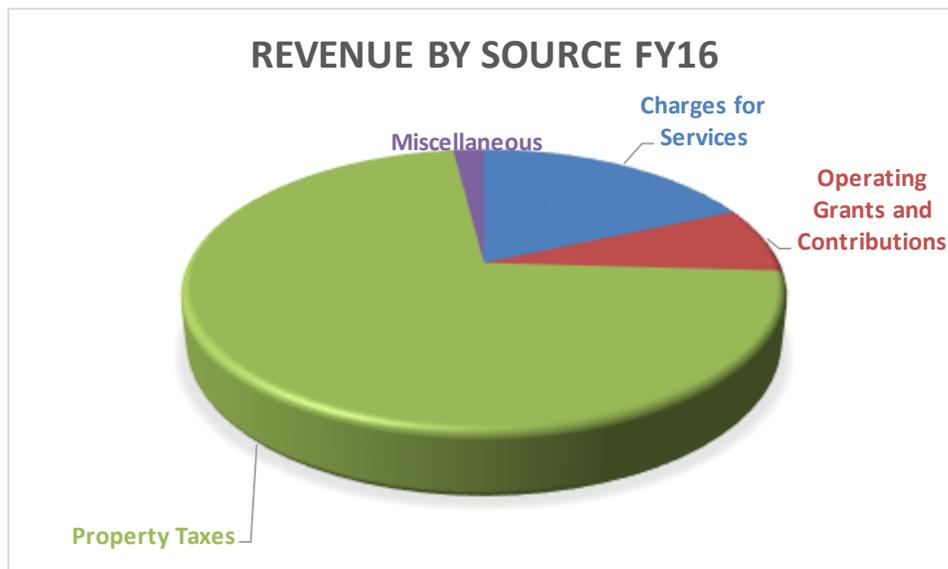
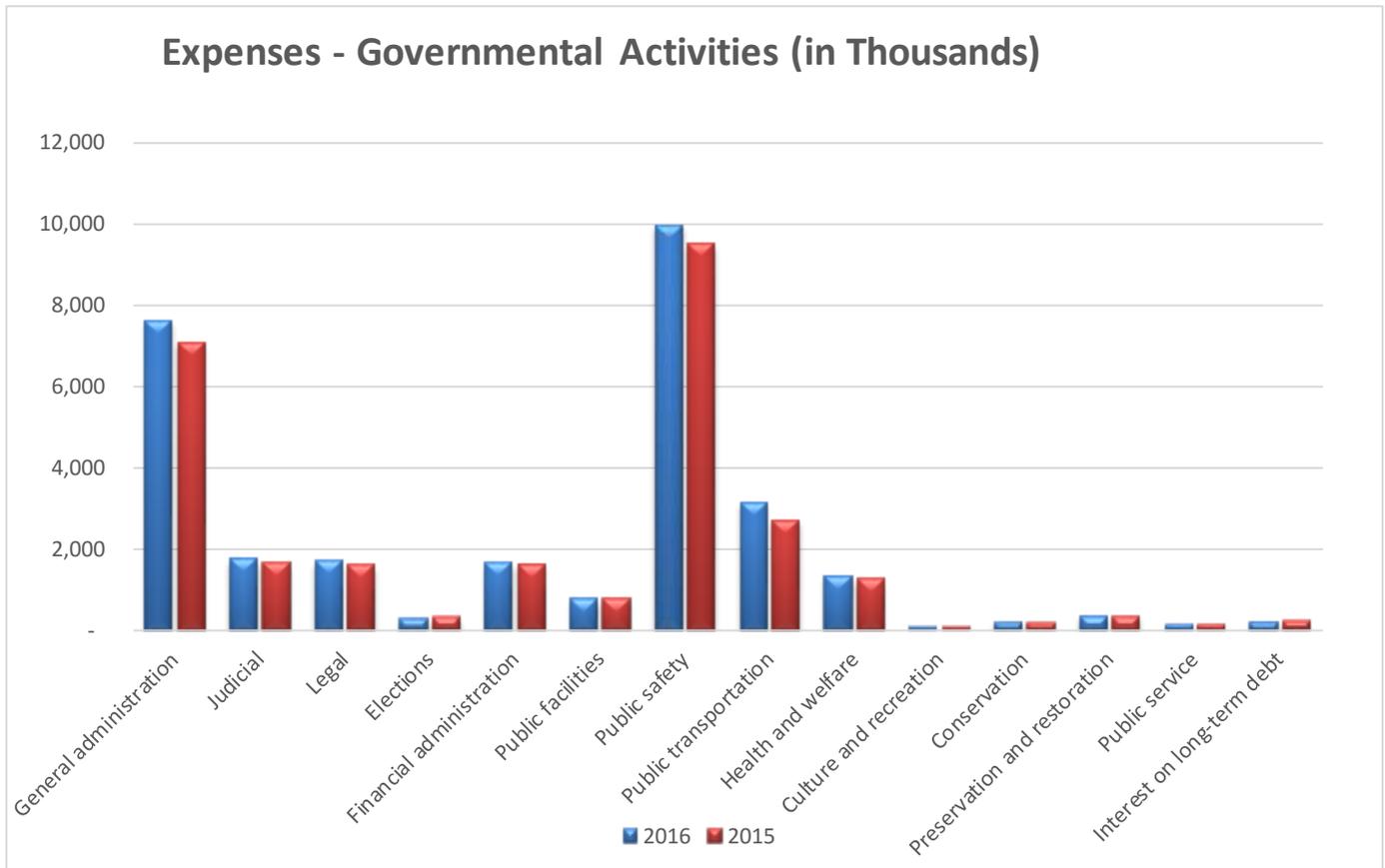
The Changes in Net Position itemizes the basic source of revenue and expenses as to the services provided. Total revenue for governmental activities was \$27,608,701. Total governmental expenses were \$29,107,576 resulting in a decrease in net position of \$1,498,875 before a prior period adjustment of \$136,522. More details about the decrease are discussed in the Financial Analysis of the County Funds.

**HARRISON COUNTY'S CHANGES IN NET POSITION**  
(in Thousands)

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 5,058	\$ 4,965
Operating grants and contributions	2,096	1,445
General revenues:		
Property taxes	19,945	19,725
Interest	76	60
Gain on sale of assets	7	-
Other	427	462
Total revenues	27,609	26,657
Expenses:		
General administration	7,630	7,089
Judicial	1,750	1,630
Legal	1,685	1,591
Elections	273	310
Financial administration	1,635	1,605
Public facilities	754	762
Public safety	9,974	9,508
Public transportation	3,126	2,696
Health and welfare	1,332	1,240
Culture and recreation	77	74
Conservation	190	174
Preservation and restoration	350	339
Public service	125	125
Interest on long-term debt	207	220
Total expenses	29,108	27,363
Change in net position	( 1,499)	( 705)
Net position - beginning	12,757	15,337
Prior period adjustment	( 137)	( 1,875)
Net position - ending	\$ 11,121	\$ 12,757

Revenues and expenses for governmental activities are compared below showing the relation between the cost of services and the revenue generated from users of the service. This table also shows how much general revenue (property taxes) and grants are needed to provide each service. Over the last several years, the County has seen property tax collections at 98% expected collection rate with revenue being flat or slightly lower over the past several years. The service provided by the courts' and clerks' offices in the County are funded partially by revenue generated by fines and fees assessed by the courts. The County has a collection department that focuses on maximizing the collection of the fines and fees that are assessed by the courts.

The main reason for the increase in expenses in the General Administration, Judicial and Public Safety functions is the addition of the County's liability for The OPEB plan. FY 2016 was the seventh year for inclusion in the financial statements. The addition of this liability increased expenses and decreased net position by \$379,933.



**HARRISON COUNTY'S GOVERNMENTAL ACTIVITIES**  
(in Thousands)

	Charges	% of Total	Functional	Percent of Total	Funded by Other Revenues	
	for Services 2016		Expenses 2016		Amount	Percent
General administration	\$ 1,869	6.8%	\$ 7,630	26.2%	\$( 5,760)	( 75.5%)
Judicial	1,290	4.7%	1,750	6.0%	( 461)	( 26.3%)
Legal	200	0.7%	1,685	5.8%	( 1,485)	( 88.1%)
Elections	4	0.0%	273	0.9%	( 269)	( 98.5%)
Financial administration	1,002	3.6%	1,635	5.6%	( 633)	( 38.7%)
Public facilities	-	- %	754	2.6%	( 754)	( 100.0%)
Public safety	569	2.1%	9,974	34.3%	( 9,404)	( 94.3%)
Public transportation	124	0.5%	3,126	10.7%	( 3,002)	( 96.0%)
Health and welfare	-	- %	1,332	4.6%	( 1,332)	( 100.0%)
Culture and recreation	-	- %	77	0.3%	( 77)	( 100.0%)
Conservation	-	- %	190	0.7%	( 190)	( 100.0%)
Preservation and restoration	-	- %	350	1.2%	( 350)	( 100.0%)
Public service	-	- %	125	0.4%	( 125)	( 100.0%)
Interest on long-term debt	-	- %	207	0.7%	( 207)	( 100.0%)
Total	5,058	18.3%	<u>\$ 29,108</u>	<u>100.0%</u>	( 24,048)	
<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	2,096	7.6%			2,096	
<b>GENERAL REVENUES</b>	<u>20,455</u>	<u>74.1%</u>			<u>20,455</u>	
<b>TOTAL REVENUES</b>	<u>\$ 27,609</u>	<u>100.0%</u>				
<b>CHANGE IN NET POSITION</b>					<u>\$( 1,499)</u>	

**Capital Assets and Debt Administration**

*Capital Assets* – Capital assets decreased by approximately \$777,000 primarily due to depreciation expense exceeding the amount of capital additions.

**HARRISON COUNTY'S CAPITAL ASSETS AT YEAR-END**  
(in Thousands)

	Governmental Activities	
	2016	2015
Land, buildings and improvements	\$ 16,832	\$ 17,552
Autos and trucks	1,196	1,110
Heavy equipment	2,378	2,301
Other equipment, furniture and fixtures	247	190
Construction in progress	147	147
Infrastructure	<u>1,576</u>	<u>1,853</u>
Total capital assets, net	<u>\$ 22,376</u>	<u>\$ 23,153</u>

## Outstanding Debt

The table below reports the outstanding balances of debt for 2016 and 2015 for governmental activities. The County's balance in general obligation debt and notes payable decreased from fiscal year 2015 due to the scheduled payments on debt and a refunding of debt. The net OPEB obligation increased during fiscal year 2016, making the County's overall debt balance higher than fiscal year 2015. In November of 2013, the County's bond rating remained at AA. Detailed information concerning the County's long-term debt is available in the notes to the financial statements.

### HARRISON COUNTY'S LONG-TERM DEBT AT YEAR-END

	Governmental Activities	
	2016	2015
General obligation debt	\$ 2,830	\$ 3,100
Notes payable	1,998	2,627
Net pension liability	6,080	2,820
Net OPEB obligation	14,614	14,234
Compensated absences	<u>1,296</u>	<u>1,233</u>
Total long-term debt	<u>\$ 26,818</u>	<u>\$ 24,014</u>

## FINANCIAL ANALYSIS OF THE COUNTY FUNDS

### Governmental Funds

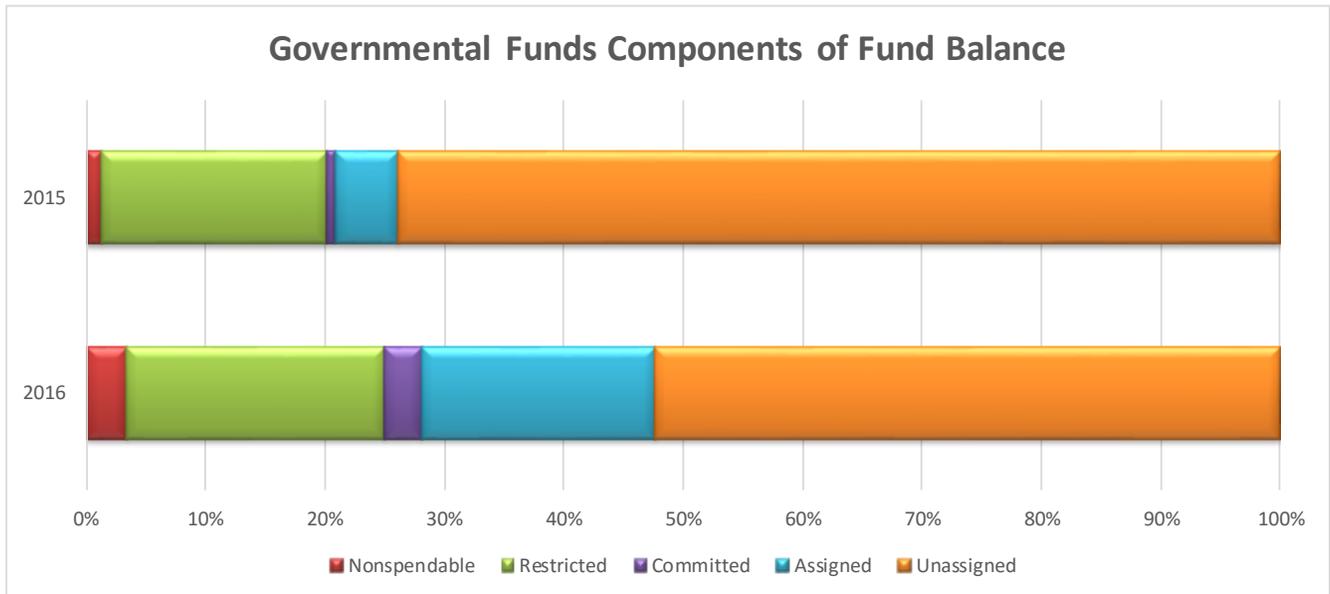
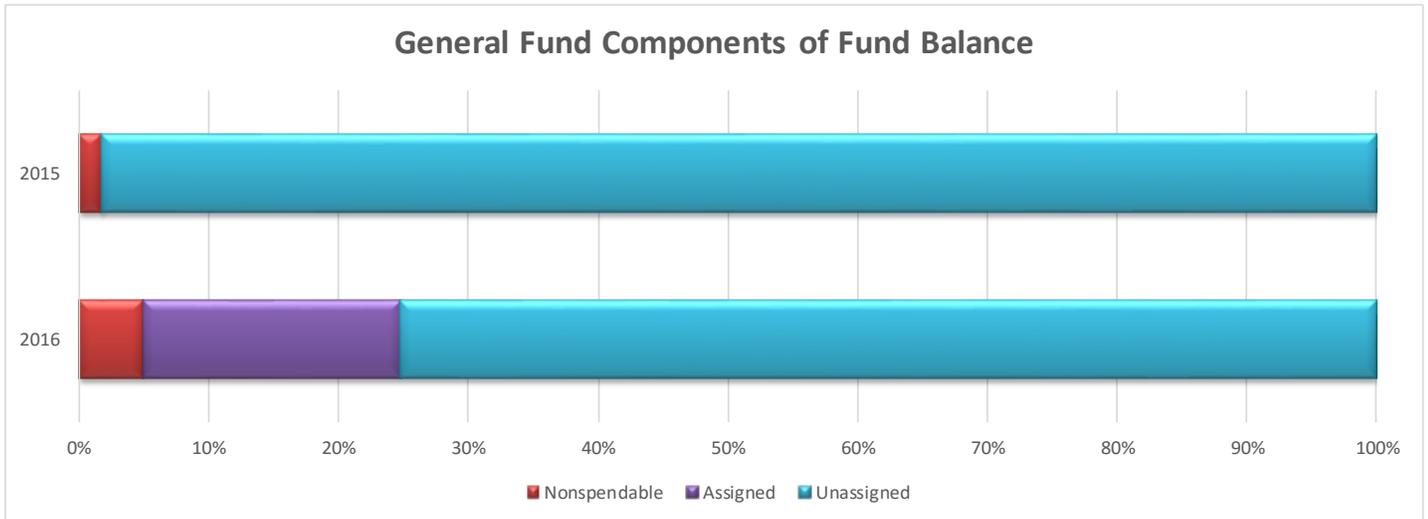
The governmental fund statements include the General Fund, Road and Bridge Fund, and County Grant Fund which comprise the County's major funds and all other governmental funds combined. These statements focus on short-term transactions and the impact they have on financial resources for future financial requirements. The total fund balances at year-end for all governmental funds is \$9,410,918, a decrease of \$1,324,793 from the prior year before a prior period adjustment of \$136,522. This represented a 12.2% decrease in total fund balances. This decrease was mainly in the General Fund, due to a decrease of revenues and an increase in expenditures, mainly for a software upgrade.

The General Fund is the primary day-to-day operating fund that finances services such as the courts and law enforcement. Approximately 83% of the revenue to support these services is generated by ad valorem taxes. General Fund operations resulted in a decrease in fund balance of \$1,572,089 before a prior period adjustment of \$136,522. The ending fund balance of \$6,469,518 is in the acceptable level that the County Commissioners' Court would like to have, and steps will continue to be in place in order to maintain an acceptable General Fund balance to sustain County operations for a 90 – 120-day period. This represents a decrease of 19.2% over fiscal year 2015 fund balance. Additionally, with the changes to the County's health plan, current expenditures were reduced and kept within budget.

The Road and Bridge Fund is reported as a major governmental fund, because it represents a material percentage of the total revenue and expenditures of all governmental funds. The result of operations was an increase in fund balance of \$61,397. The increase was mainly caused by an increase in ad valorem taxes for FY 2016.

The County Grant fund is reported as a major governmental fund, because it represents a material percentage of the total revenue and expenditures of all governmental funds. The result of operations was an increase in fund balance of \$227. This fund was mainly increased due to an increase in intergovernmental revenue in the current year.

All other governmental funds are combined to form the nonmajor governmental fund category. Combined fund balances increased by \$185,672.



## Proprietary Funds

As stated previously, the County’s proprietary fund statements report the activities of the County’s self-funded health insurance plan. The plan provides health and life insurance for all fulltime and retired County employees and their dependents that qualify. The plan has experienced a recent decrease over the past few years in the amount of money needed to cover claims with a slight increase in the fixed costs related to the administration of the plan.

## **Budgetary Highlights**

Budgetary statements of revenues, expenditures, and changes in fund balance for the General Fund, the Road and Bridge Fund and the County Grant Fund report the budget and the actual amounts for each category. The variance is the difference between actual and the final budget. The County's Commissioners' Court, prior to the beginning of the fiscal year, adopted the original budget and the Court approves amendments to the budget during the year. During the current year, the original General Fund expenditure budget was increased by \$272,972.

The original General Fund budget planned for expenditures to exceed revenues by \$1,744,771. However, actual expenditures were \$1,138,885 less than what was budgeted. Since actual expenditures exceeded revenues by \$901,621, the County had a decrease in fund balance.

The original Road and Bridge Fund budget planned for expenditures to exceed revenues by \$111,592. However, actual expenditures were \$250,907 less than what was budgeted.

## **BUDGET FOR 2016 – 2017 AND LATER**

For the FY 2017, the County adopted a property tax rate of \$.34980 per hundred dollars of taxable value. Harrison County must adopt a balanced budget worst case or a budget that will allow for increases in the surplus best case.

The County's plan for future budgets is to add funds generated to the OPEB permanent trust fund with savings from administration of the health plan. The County has a lease purchase program in which the County sells back old motorgraders and acquires new ones. This program occurs every three years and is an ongoing capital management program. With the exception of this recurring lease purchases, the County has not issued any new debt and continues to pay down current debt.

## **REQUESTS FOR INFORMATION**

This report is designed to provide a general overview of the County's finances for all those with an increase 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:

Becky Haynes  
County Auditor  
Harrison County Courthouse  
200 W. Houston, Room 326  
Marshall, Texas 75670  
(903) 935-8405

**BASIC  
FINANCIAL STATEMENTS**

**THIS PAGE LEFT BLANK INTENTIONALLY**

# HARRISON COUNTY, TEXAS

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	Primary Government	Component Unit
	Governmental Activities	Industrial Development Authority
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,269,215	\$ 220,692
Investments	-	1,824,909
Receivables, net:		
Property taxes	1,520,438	-
Accounts receivable	256,725	-
Due from other governments	913,548	-
Due from agency funds	463,175	-
Prepaid expenditures	319,479	-
Capital assets, net of accumulated depreciation		
Land, buildings and improvements	23,299,643	-
Autos and trucks	4,737,719	-
Heavy equipment	5,091,900	-
Other equipment, furniture and fixtures	1,120,201	-
Construction in progress	147,405	-
Infrastructure	11,549,626	-
Accumulated depreciation	( 23,570,914)	-
Total capital assets	22,375,580	-
Total assets	36,118,160	2,045,601
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	4,817,363	-
Total deferred outflows of resources	4,817,363	-
<b>LIABILITIES</b>		
Accounts payable	1,282,926	-
Accrued wages payable	474,813	-
Accrued interest payable	22,862	-
Unearned revenue	847,158	-
Other liabilities:		
Due within one year	1,299,461	-
Due in more than one year	25,518,675	-
Total liabilities	29,445,895	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	368,363	-
Total deferred inflows of resources	368,363	-
<b>NET POSITION</b>		
Net investment in capital assets	17,491,566	-
Restricted for:		
Debt service	53,936	-
Capital projects	171,357	-
Special purposes	1,845,527	-
Unrestricted	( 8,441,121)	2,045,443
Total net position	\$ 11,121,265	\$ 2,045,443

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

**THIS PAGE LEFT BLANK INTENTIONALLY**

# HARRISON COUNTY, TEXAS

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

	Program Revenues			Changes Net Position	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	
<b>PRIMARY GOVERNMENT</b>					
General administration	\$ 7,629,694	\$ 1,869,272	\$ 35,518	\$( 5,724,904)	\$ -
Judicial	1,750,206	1,289,662	31,761	( 428,783)	-
Legal	1,685,264	200,238	140,272	( 1,344,754)	-
Elections	273,250	3,973	70,770	( 198,507)	-
Financial administration	1,635,231	1,002,195	-	( 633,036)	-
Public facilities	754,072	-	81,520	( 672,552)	-
Public safety	9,973,644	568,594	975,823	( 8,429,227)	-
Public transportation	3,126,056	124,240	666,757	( 2,335,059)	-
Health and welfare	1,331,556	-	56,251	( 1,275,305)	-
Culture and recreation	77,385	-	-	( 77,385)	-
Conservation	189,511	-	7,736	( 181,775)	-
Preservation and restoration	349,930	-	-	( 349,930)	-
Public service	124,950	-	29,139	( 95,811)	-
Interest and other charges	206,827	-	-	( 206,827)	-
Total primary government governmental activities	<u>29,107,576</u>	<u>5,058,174</u>	<u>2,095,547</u>	<u>( 21,953,855)</u>	<u>-</u>
<b>COMPONENT UNIT</b>					
Industrial Development Authority	\$ <u>17,511</u>	\$ <u>-</u>	\$ <u>-</u>	<u>-</u>	( <u>17,511</u> )
General revenues					
Property taxes				19,908,198	-
Miscellaneous taxes				36,830	-
Investment earnings				75,954	181,383
Miscellaneous				426,940	-
Insurance proceeds				7,058	-
Total general revenues				<u>20,454,980</u>	<u>181,383</u>
Change in net position				( 1,498,875)	163,872
Net position, beginning				<u>12,756,662</u>	<u>1,881,571</u>
Prior period adjustment				( 136,522)	-
Net position, ending				<u>\$ 11,121,265</u>	<u>\$ 2,045,443</u>

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

**HARRISON COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

	General	Road and Bridge	County Grant	Other Governmental	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,019,389	\$ 662,516	\$ -	\$ 2,526,776	\$ 10,208,681
Receivables, net					
Property taxes	1,520,438	-	-	-	1,520,438
Accounts receivable	206,987	2,697	-	1,726	211,410
Due from other governments	240,476	534,969	77,675	60,428	913,548
Due from other funds	280,038	151,350	-	66,656	498,044
Prepaid expenditures	319,282	22	-	175	319,479
Total assets	<u>9,586,610</u>	<u>1,351,554</u>	<u>77,675</u>	<u>2,655,761</u>	<u>13,671,600</u>
<b>LIABILITIES</b>					
Accounts payable	299,001	498,915	2,023	310,847	1,110,786
Accrued wages payable	348,156	72,202	627	53,828	474,813
Due to other funds	-	-	34,869	-	34,869
Unearned revenue	839,658	-	-	7,500	847,158
Total liabilities	<u>1,486,815</u>	<u>571,117</u>	<u>37,519</u>	<u>372,175</u>	<u>2,467,626</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	1,443,764	-	-	-	1,443,764
Unavailable revenue-grants	-	162,779	-	-	162,779
Unavailable revenue-court fines	186,513	-	-	-	186,513
Total deferred inflows of resources	<u>1,630,277</u>	<u>162,779</u>	<u>-</u>	<u>-</u>	<u>1,793,056</u>
<b>Fund balances</b>					
Nonspendable	319,282	22	-	175	319,479
Restricted					
Debt service	-	-	-	15,133	15,133
Capital projects	-	-	-	171,357	171,357
Bail bond services	-	-	-	116,852	116,852
Airport maintenance	-	-	-	197,140	197,140
Court technology and security	-	-	-	337,415	337,415
VIT escrow	-	-	-	92,696	92,696
Law library	-	-	-	71,376	71,376
Grants	-	-	40,156	439,080	479,236
District Attorney services	-	-	-	216,006	216,006
Records management and preservation	-	-	-	89,978	89,978
Other	-	-	-	244,828	244,828
Committed for:					
Jury services	-	-	-	24,722	24,722
Juvenile services	-	-	-	266,828	266,828
Assigned for:					
Subsequent year's budget	1,280,500	-	-	-	1,280,500
Road and bridge equipment	-	556,261	-	-	556,261
Unassigned	4,869,736	61,375	-	-	4,931,111
Total fund balances	<u>6,469,518</u>	<u>617,658</u>	<u>40,156</u>	<u>2,283,586</u>	<u>9,410,918</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,586,610</u>	<u>\$ 1,351,554</u>	<u>\$ 77,675</u>	<u>\$ 2,655,761</u>	<u>\$ 13,671,600</u>

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

**HARRISON COUNTY, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**YEAR ENDED SEPTEMBER 30, 2016**

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

Total fund balances of governmental funds	\$ 9,410,918
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,375,580
The Internal Service Fund is used to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.	( 66,291)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,805,073
Long-term liabilities, including bonds payable and the net pension liability, are not due and payable in the current period and therefore not reported in the funds.	<u>( 22,404,015)</u>
Net position of governmental activities	<u>\$ 11,121,265</u>

**HARRISON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2016**

	General	Road and Bridge	County Grant	Other Governmental	Total Governmental Funds
<b>REVENUES</b>					
Ad valorem taxes	\$ 14,738,760	\$ 2,787,704	\$ -	\$ 2,373,531	\$ 19,899,995
Miscellaneous taxes	36,830	-	-	-	36,830
Licenses and permits	88,327	1,022,586	-	1,650	1,112,563
Fines and forfeitures	23,103	930,550	-	186,437	1,140,090
Intergovernmental	270,744	602,171	534,204	212,356	1,619,475
Charges for services	2,287,869	40,885	-	972,072	3,300,826
Investment earnings	54,201	6,042	229	15,306	75,778
Miscellaneous	295,654	59,146	-	20,527	375,327
Total revenues	<u>17,795,488</u>	<u>5,449,084</u>	<u>534,433</u>	<u>3,781,879</u>	<u>27,560,884</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General administration	3,969,798	2,324,834	-	672,470	6,967,102
Judicial	1,327,769	-	-	384,161	1,711,930
Legal	1,588,351	-	13,551	59,994	1,661,896
Elections	203,731	-	-	69,747	273,478
Financial administration	1,601,690	-	-	-	1,601,690
Public facilities	737,604	-	-	-	737,604
Public transportation	-	3,096,529	-	28,895	3,125,424
Public safety	7,474,985	-	410,116	1,448,563	9,333,664
Health and welfare	1,214,310	-	110,539	-	1,324,849
Culture and recreation	71,261	-	-	-	71,261
Conservation	183,447	-	-	-	183,447
Public service	124,950	-	-	-	124,950
Capital outlay	116,782	-	-	-	116,782
Debt service:					
Principal	56,258	-	-	897,920	954,178
Interest and other charges	26,173	-	-	219,144	245,317
Total expenditures	<u>18,697,109</u>	<u>5,421,363</u>	<u>534,206</u>	<u>3,780,894</u>	<u>28,433,572</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>( 901,621)</u>	<u>27,721</u>	<u>227</u>	<u>985</u>	<u>( 872,688)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of long-term debt	-	-	-	2,830,000	2,830,000
Insurance proceeds	7,058	-	-	-	7,058
Sale of capital assets	2,474	33,676	-	-	36,150
Operating transfer in	-	-	-	130,000	130,000
Payment to escrow agent	-	-	-	( 2,775,313)	( 2,775,313)
Operating transfers out	( 680,000)	-	-	-	( 680,000)
Total other financing sources (uses)	<u>( 670,468)</u>	<u>33,676</u>	<u>-</u>	<u>184,687</u>	<u>( 452,105)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 1,572,089)</u>	<u>61,397</u>	<u>227</u>	<u>185,672</u>	<u>( 1,324,793)</u>
<b>FUND BALANCES, BEGINNING</b>	8,178,129	556,261	39,929	2,097,914	10,872,233
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>( 136,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 136,522)</u>
<b>FUND BALANCES, RESTATED</b>	<u>8,041,607</u>	<u>556,261</u>	<u>39,929</u>	<u>2,097,914</u>	<u>10,735,711</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 6,469,518</u>	<u>\$ 617,658</u>	<u>\$ 40,156</u>	<u>\$ 2,283,586</u>	<u>\$ 9,410,918</u>

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

## HARRISON COUNTY, TEXAS

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

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

Net change in fund balances - total governmental funds \$( 1,324,793)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Capital outlay	\$ 954,948	
Depreciation expense	<u>( 1,734,335)</u>	( 779,387)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position. 954,178

The issuance of debt has no effect on the governmental funds. ( 55,000)

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds. ( 5,755)

Interest expense on long-term debt and contractual obligations is not accrued in the governmental funds. 38,803

The net effect of various sales and disposals of capital assets is to decrease net assets. 164,764

Delinquent property taxes receivable which do not provide current financial resources are not reported as revenue in the funds. 8,203

The increase in accrued compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the funds. ( 63,060)

Pension costs and other post employment benefit expense is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. ( 367,916)

The Internal Service Fund is used to charge the costs of health insurance to individual funds. The net revenue (expense) of the activity of the Internal Service Fund is reported with governmental activities. ( 68,912)

Changes in net position of governmental activities \$( 1,498,875)

**HARRISON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 14,720,329	\$ 14,720,329	\$ 14,738,760	\$ 18,431
Miscellaneous taxes	30,000	30,000	36,830	6,830
Licenses, permits and fees	103,000	103,000	88,327	( 14,673)
Intergovernmental	221,100	285,686	270,744	( 14,942)
Fines and forfeitures	39,075	39,075	23,103	( 15,972)
Charges for services	2,473,215	2,473,215	2,287,869	( 185,346)
Investment earnings	31,512	31,512	54,201	22,689
Miscellaneous	200,020	356,720	295,654	( 61,066)
Total revenues	<u>17,818,251</u>	<u>18,039,537</u>	<u>17,795,488</u>	<u>( 244,049)</u>
<b>EXPENDITURES</b>				
General administration	4,562,605	4,773,336	3,969,798	803,538
Judicial	1,372,282	1,361,040	1,327,769	33,271
Legal	1,510,860	1,634,530	1,588,351	46,179
Elections	219,140	209,338	203,731	5,607
Financial administration	1,633,530	1,624,561	1,601,690	22,871
Public facilities	748,523	743,114	737,604	5,510
Public safety	7,358,387	7,484,869	7,474,985	9,884
Health and welfare	1,546,233	1,396,233	1,214,310	181,923
Culture and recreation	71,425	71,425	71,261	164
Conservation	186,055	185,473	183,447	2,026
Public service	129,950	129,950	124,950	5,000
Capital outlay	141,600	139,693	116,782	22,911
Debt service				
Principal	56,258	56,258	56,258	-
Interest and other charges	26,174	26,174	26,173	1
Total expenditures	<u>19,563,022</u>	<u>19,835,994</u>	<u>18,697,109</u>	<u>1,138,885</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 1,744,771)</u>	<u>( 1,796,457)</u>	<u>( 901,621)</u>	<u>894,836</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	7,058	7,058
Sale of capital assets	30,000	30,000	2,474	( 27,526)
Operating transfers out	-	-	( 680,000)	( 680,000)
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>( 670,468)</u>	<u>( 700,468)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 1,714,771)</u>	<u>( 1,766,457)</u>	<u>( 1,572,089)</u>	<u>194,368</u>
<b>FUND BALANCES, BEGINNING</b>	8,178,129	8,178,129	8,178,129	-
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>( 136,522)</u>	<u>( 136,522)</u>
<b>FUND BALANCES, RESTATED</b>	<u>8,178,129</u>	<u>8,178,129</u>	<u>8,041,607</u>	<u>( 136,522)</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 6,463,358</u>	<u>\$ 6,411,672</u>	<u>\$ 6,469,518</u>	<u>\$ 57,846</u>

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

**HARRISON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**ROAD AND BRIDGE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Road and Bridge Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 2,781,920	\$ 2,781,920	\$ 2,787,704	\$ 5,784
Licenses, permits and fees	1,145,460	1,145,460	1,022,586	( 122,874)
Fines and forfeitures	1,015,000	1,015,000	930,550	( 84,450)
Intergovernmental	197,000	197,000	602,171	405,171
Charges for services	170,000	170,000	40,885	( 129,115)
Investment earnings	4,500	4,500	6,042	1,542
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>59,146</u>	<u>57,146</u>
Total revenues	<u>5,315,880</u>	<u>5,315,880</u>	<u>5,449,084</u>	<u>133,204</u>
<b>EXPENDITURES</b>				
General administration	2,457,472	2,409,171	2,324,834	84,337
Public transportation	<u>2,970,000</u>	<u>3,263,099</u>	<u>3,096,529</u>	<u>166,570</u>
Total expenditures	<u>5,427,472</u>	<u>5,672,270</u>	<u>5,421,363</u>	<u>250,907</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 111,592)</u>	<u>( 356,390)</u>	<u>27,721</u>	<u>384,111</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	<u>10,000</u>	<u>10,000</u>	<u>33,676</u>	<u>23,676</u>
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>33,676</u>	<u>23,676</u>
<b>NET CHANGE IN FUND BALANCES</b>	( 101,592)	( 346,390)	61,397	407,787
<b>FUND BALANCES, BEGINNING</b>	<u>556,261</u>	<u>556,261</u>	<u>556,261</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 454,669</u>	<u>\$ 209,871</u>	<u>\$ 617,658</u>	<u>\$ 407,787</u>

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

**HARRISON COUNTY, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**COUNTY GRANT FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	County Grant Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 75,839	\$ 538,274	\$ 534,204	\$ ( 4,070)
Investment earnings	-	-	229	229
Total revenues	<u>75,839</u>	<u>538,274</u>	<u>534,433</u>	<u>( 3,841)</u>
<b>EXPENDITURES</b>				
Legal	13,839	13,839	13,551	288
Public safety	62,000	413,898	410,116	3,782
Health and welfare	-	110,539	110,539	-
Total expenditures	<u>75,839</u>	<u>538,276</u>	<u>534,206</u>	<u>4,070</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>( 2)</u>	<u>227</u>	<u>229</u>
<b>FUND BALANCES, BEGINNING</b>	<u>39,929</u>	<u>39,929</u>	<u>39,929</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 39,929</u>	<u>\$ 39,927</u>	<u>\$ 40,156</u>	<u>\$ 229</u>

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

**HARRISON COUNTY, TEXAS**

**STATEMENT OF NET POSITION**

**PROPRIETARY FUNDS**

**SEPTEMBER 30, 2016**

	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 60,534
Accounts receivable	<u>45,315</u>
Total assets	<u>105,849</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>172,140</u>
Total liabilities	<u>172,140</u>
<b>NET POSITION</b>	
Unrestricted	<u>( 66,291)</u>
Total net position	<u><u>\$( 66,291)</u></u>

**HARRISON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Governmental Activities
	Internal Service Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,421,487
Total operating revenues	<u>2,421,487</u>
<b>OPERATING EXPENSES</b>	
Benefit payments	<u>3,040,575</u>
Total operating expenses	<u>3,040,575</u>
<b>OPERATING GAIN (LOSS)</b>	<u>( 619,088)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	176
Transfer in	<u>550,000</u>
Total nonoperating revenues (expenses)	<u>550,176</u>
<b>CHANGE IN NET POSITION</b>	<u>( 68,912)</u>
<b>TOTAL NET POSITION, BEGINNING</b>	<u>2,621</u>
<b>TOTAL NET POSITION, ENDING</b>	<u><u>\$ ( 66,291)</u></u>

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

**HARRISON COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Governmental Activities
	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from premiums and contributions	\$ 2,445,104
Payments for claims	( 3,177,451)
Net cash provided by operating activities	<u>( 732,347)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	<u>550,000</u>
Cash provided by noncapital financing activities	<u>550,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>176</u>
Net cash provided by investing activities	<u>176</u>
<b>NET INCREASE IN CASH</b>	( 182,171)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>242,705</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>60,534</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating loss	( 619,088)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in receivables	23,617
Increase (decrease) in payables	( 136,876)
Total adjustments	<u>( 113,259)</u>
Net cash provided by operating activities	<u><u>\$( 732,347)</u></u>

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

# HARRISON COUNTY, TEXAS

## STATEMENT OF NET POSITION

### FIDUCIARY FUNDS

SEPTEMBER 30, 2016

	<u>OPEB</u> <u>Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 853,473	\$ 5,267,296
Investments	<u>-</u>	<u>1,447,827</u>
Total assets	<u>853,473</u>	<u>6,715,123</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	-	102,054
Due to other governments	-	855,274
Due to other funds	-	463,175
Unearned revenue	-	767,633
Court ordered funds	-	3,156,364
Court ordered trust and prisoner funds	<u>-</u>	<u>1,370,623</u>
Total liabilities	<u>-</u>	<u>6,715,123</u>
<b>NET POSITION</b>		
Held in trust for other postemployment benefits	<u>\$ 853,473</u>	<u>\$ -</u>

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

**HARRISON COUNTY, TEXAS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FIDUCIARY FUNDS**

**SEPTEMBER 30, 2016**

	<u>OPEB Trust Fund</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 300,000
Investment earnings	<u>56,706</u>
Total additions	<u>356,706</u>
<b>DEDUCTIONS</b>	<u>3,233</u>
Total deductions	<u>3,233</u>
<b>CHANGE IN NET POSITION</b>	353,473
<b>NET POSITION, BEGINNING</b>	<u>500,000</u>
<b>NET POSITION, ENDING</b>	<u>\$ 853,473</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

# HARRISON COUNTY, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Harrison County, Texas, was organized in 1842. The County operates under a County Judge-Commissioners' Court type of government. The County provides the following services throughout the County: public safety, public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, elections, and general and financial administrative services.

The financial statements of Harrison County, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's most significant accounting policies are described below.

#### A. Reporting Entity

In evaluating how to define the County for financial reporting purposes, management has considered all potential component units for which the County may be financially accountable and, as such, should be included within the County's financial statements. The County is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial burden on the County. Additionally, the County is required to consider other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete.

#### **Discretely Presented Component Unit**

The Harrison County Industrial Development Authority, Inc. (the "Authority") is a Texas nonprofit corporation and an industrial development corporation under the Development Corporation Act of 1979. It is managed by a nine-member board appointed by the Commissioners' Court of Harrison County, Texas. The state legislation under which the Authority was established authorizes the Commissioners' Court to remove the board members of the Authority for cause or at will. The Authority's board and the Commissioners' Court are not substantively the same, and the Authority does not provide services entirely, or almost entirely, to the County.

The Authority's fiscal year is the calendar year. The amounts reported under the component unit column of the government-wide financial statements are as of and for the year ended December 31, 2016. Since the Authority's fiscal year ends within the first quarter of the County's subsequent fiscal year, this financial statement presentation is in accordance with GASB Statement No. 14.

## **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 nonfiduciary activities of the County. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government, which consists entirely of the governmental activities, is reported separately from the discretely presented component units for which the primary government is financially accountable.

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. *Program revenue* includes 1) charges to customers, citizens, or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 are reported as separate columns in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide 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*. They include all funds of the County except for funds of a fiduciary nature. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 they are 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 revenue to be available if 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, miscellaneous taxes, and certain fees of office associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

Major funds represent the County's most important funds and are determined based on percentages of assets, liabilities, deferred outflows/inflows of resources, revenues, and expenditures/expenses. Governments may also choose to report other funds as major funds if the fund is particularly important to financial statement users. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section. 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 accounted for in another fund.

The **Road and Bridge Fund** is a Special Revenue Fund used to account for monies restricted or intended for use in the Road and Bridge Department of the County. Primary sources of revenues include property tax revenue, automobile registration fees, County and District Court Clerk fees, and state allotments of road funds. Revenues are used for public transportation, maintenance and construction purposes.

The **County Grant Fund** is a Special Revenue Fund used to account for monies restricted by grantors for which constraints have been placed on the use of resources.

Additionally, the County reports the following governmental fund types:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The **Debt Service Funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on governmental contractual obligations.

The **Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **Other Post-Employment Benefits (OPEB) Trust Fund** is used to account for the County's other post-employment benefit trust fund, which accumulated resources for the payment of medical costs associated with the County's other post-employment benefit plan.

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. The applicable generally accepted accounting principles are similar to those applied by businesses in the private sector. An Internal Service Fund is a type of proprietary fund used to account for the financing of goods or services provided by an activity to other departments or funds of the County on a cost-reimbursement basis. The County uses an Internal Service Fund to account for payments made by the County and by its employees for health insurance premiums and for the payment of health insurance claims of County employees.

The Internal Service Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services in connection with the operation of the self-insured health care benefit program.

Fiduciary funds are held for the benefit of a third party or in an agency capacity and cannot be used to address activities or obligations of the government. These funds are not incorporated into the government-wide statements. Within the fiduciary funds, the County only reports the agency fund type. Agency funds have no measurement focus but they utilize the accrual basis of accounting for reporting assets and liabilities.

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**

##### **Deposits and Investments**

The County's cash and cash equivalents include cash on hand, demand deposit accounts, and cash management accounts related to demand deposit accounts. The County's investment policy authorizes the County Treasurer to invest County funds with any or all institutions or groups consistent with federal or state law, Chapter 2256 Texas Government Code, and the current Depository Bank Contract. During the year ended September 30, 2016, the County's investments were with its depository bank, Texas Term and Texas Class. Texas Term and Texas Class are a "public funds investment pools," as defined by the Public Funds Investment Act Section 2256.016-2256.019, and the portfolio normally consists of U. S. treasury bills, treasury notes, other government and non-governmental obligations, collateralized certificates of deposit, and repurchase agreements.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investment in pools are 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The Harrison County Industrial Development Authority, a discretely presented component unit, is not subject to the Public Funds Investment Act, but is instead governed by the Uniform Prudent Investor Act found in Chapter 117 of the Texas Property Code.

The Authority's investment policy allows for investments in common and preferred stock of U.S. Corporations traded on nationally recognized exchanges, stock and stock index mutual funds, U.S. Treasury and federal agency securities, U.S. corporate debt instruments (bonds, notes, convertible securities, and mutual funds), various international investments limited to 10% of total invested funds, commercial paper issued by corporations with an average credit quality rating of BBB or higher, certificates of deposit insured by the FDIC, interest-bearing savings and checking accounts, and money market funds.

In fiscal year 2016, the Authority adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of December 31, 2016, the Authority held the following fair value measurements:

- Equity securities of \$1,624,506 are valued using quoted prices in an active market for identical assets (Level 1 inputs).
- Corporate securities of \$200,403 are valued using a matrix pricing model (Level 2 inputs).

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as "due to/from other funds."

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance is equal to 0.3% of the tax levy for the most recent 5 tax years and 90% of the outstanding balance per year for the prior 5 years, and all amounts over 10 years are deemed uncollectible. The County's property taxes are levied on October 1, and become due on January 31 of the following year. Taxes become past due February 1, and become delinquent July 1. The County's taxes attach as an enforceable lien on real property on January 1 of the year levied.

### **Prepaid Expenditures**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

## Capital Assets

Capital assets, which include buildings, property, plant, equipment, and infrastructure assets (roads and bridges), are reported in the governmental activities of the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and a useful life in excess of one year. Such assets are recorded at historical cost where records are available or at an estimated fair market value at date of acquisition where no historical records exist. 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 County maintains many items and buildings of historical significance. The County does not capitalize historical treasures or works of art. The County has made this election because 1) the collection is held for reasons other than financial gain; 2) the collection is protected, kept unencumbered, cared for, and preserved; and 3) proceeds from the sale of collection items are used to acquire other items for collections.

Property, plant, and equipment of the County is depreciated using the straight-line method over their estimated useful lives:

Assets	Years
Buildings	20-50
Public domain infrastructure	5-50
Autos, machinery and equipment	5-10

## 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:

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – The difference is deferred and amortized over a closed five year period.
- Changes in actuarial assumptions – The changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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:

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

### **Compensated Absences**

A liability for compensated absences is accrued by the County for all fulltime employees for unused vacation time, compensatory time off, and unused holidays. The County reports 10% of the total estimated liability for compensated absences as a current liability due in one year.

Compensated vacations are granted to all fulltime permanent employees of the County. This benefit can range from two to four weeks, depending upon length of continuous service. Unused vacation time can be accrued up to 160 hours, based on length of employment. Accrued time in excess of maximum is lost without payment. Accumulated vacation time is paid upon termination.

Compensatory time off is allowed in certain departments that have non-exempt employees who work in excess of 40 hours per week. In those departments, compensatory time off can be accrued up to 240 hours for clerical and 480 hours for professional and law enforcement employees. Time earned in excess of maximum accruals is paid as earned. Accumulated compensatory time off is paid upon termination.

Compensatory holiday time off is allowed in certain departments that have regular full-time and part-time employees. All regular, part-time employees shall be paid for holidays according to the number of hours each is scheduled to work on the holiday not to exceed 8 hours. Regular, full-time employees (non-exempt employees) shall receive 8 hours of pay for each official holiday. In the event the essential personnel (Juvenile Detention Supervisor Officers, Patrol Deputies, Dispatch personnel, and Jailers) work the approved holiday or is not scheduled to work on an approved holiday he/she would receive an additional 8 hours of holiday pay at the employee's normal rate of pay. The maximum amount of holiday time that an employee shall be allowed to carry over from one calendar year into the next is 80 hours. Accumulated holiday compensatory time off is only paid out upon termination.

The County provides 80 hours of paid sick leave to all employees each year. Unused sick leave can be accumulated up to 360 hours. Accrued sick leave in excess of maximum is lost without payment. Employees are not entitled to payment for unused sick leave upon termination. The County does not accrue a liability for unpaid sick leave.

## **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. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources and debt payments as expenditures – debt service.

## **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 TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

## **Net Position Flow Assumptions**

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

## **Fund Balance Flow Assumptions**

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## **Fund Balance Classification**

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by 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 intent can be expressed by the County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of committed or assigned fund balance amounts.

## **Equity Classifications**

Equity is classified as net position and displayed in three components in the government-wide financial statements.

*Net investment in capital assets* consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

***Restricted net position*** consist of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

***Unrestricted net position*** consists of all other net position that do not meet the definition of “restricted” or “invested” in net investment in capital assets.

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

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and the related notes. Accordingly, actual results could differ from these estimates.

## **2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The County Judge is the budget officer for the County. The County Judge, Commissioners’ Court, County Auditor, and County department heads meet in budget workshops and prepare a tentative budget to cover all proposed expenditures of the County government for the succeeding fiscal year. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. The Commissioners’ Court shall hold a public hearing on the proposed budget. At the conclusion of the public hearing, the Commissioners’ Court shall take action on the proposed budget.

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

Expenditures may not legally exceed budgeted appropriations at the activity level. The budget is amended only by approval of the Commissioners’ Court. Proposed amendments are presented to the Commissioners’ Court in a public meeting and each amendment must have Commissioners’ Court approval. As required by law, such amendments made before the fact are reflected in the official minutes of the Commissioners’ Court meetings and are not made after fiscal year-end. During the year, the budget was amended as necessary. Significant budget amendments passed during the year ended September 30, 2016, are discussed in the Management Discussion and Analysis (MD&A) starting on page 4 of this report.

### 3. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

As of September 30, 2016, the County had the following investments:

<u>Investment Type</u>	<u>Total Reported Value</u>	<u>Weighted Average Maturity (Days)</u>
Primary government:		
Texas Term	\$ 4,366,928	1
Texas Class	<u>2,130,346</u>	56
Total fair value	<u>\$ 6,497,274</u>	

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

*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 Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2016, the County’s deposit balance was fully collateralized with securities held by the pledging financial institution in the County’s name or by FDIC insurance.

*Interest Rate Risk.* This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the County manages its exposure to interest rate risk by limiting the maturity of any individual investment owned by the County to three years.

*Credit Risk.* It is the County’s policy, as defined in the Texas Public Funds Investment Act, to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The County’s investments were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
Texas Term	AAAf	Standard & Poor's
Texas Class	AAAm	Standard & Poor's

Distinguished from the investments of the primary government discussed above, the Harrison County Industrial Development Authority, a discretely presented component unit, held \$1,418,416 of primarily U.S. corporate stock and \$406,493 of bond mutual funds at the end of the current fiscal year.

Pursuant to its investment policy, the authority diversified its investment in equity securities so that no more than 5% of invested assets were invested in any single issuer. The average effective duration of the bond mutual funds was 3.66 years, which is less than the 5 year maximum required by the investment policy. The investment policy also requires all fixed income mutual funds to have an average credit quality rating of at least BBB. At the end of the current year, the bond mutual funds in which the Authority had invested were rated BBB or better.

### **Receivables**

Receivables at September 30, 2016, for the County’s individual major funds and aggregate nonmajor funds, including the applicable allowance for uncollectibles, were as follows:

	<u>General</u>	<u>Road and Bridge</u>	<u>County Grant</u>	<u>Nonmajor</u>	<u>Total</u>
Receivables:					
Delinquent taxes	\$ 2,228,486	\$ -	\$ -	\$ -	\$ 2,228,486
Accounts receivable	1,885,599	2,697	-	1,726	1,890,022
Due from other governments	<u>240,476</u>	<u>534,969</u>	<u>77,675</u>	<u>60,428</u>	<u>913,548</u>
Total receivables	<u>4,354,561</u>	<u>537,666</u>	<u>77,675</u>	<u>62,154</u>	<u>5,032,056</u>
Less: allowance for uncollectibles	<u>2,386,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,386,660</u>
Net total receivables	<u>\$ 1,967,901</u>	<u>\$ 537,666</u>	<u>\$ 77,675</u>	<u>\$ 62,154</u>	<u>\$ 2,645,396</u>

There are not any significant receivables scheduled for collection within one year of year-end.

## Capital Assets

Capital asset activity for governmental activities for the year ended September 30, 2016, was as follows:

### Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 596,444	\$ -	\$ -	\$ 596,444
Construction in progress	147,405	-	-	147,405
Total assets not being depreciated	<u>743,849</u>	<u>-</u>	<u>-</u>	<u>743,849</u>
Capital assets, being depreciated:				
Buildings and improvements	22,703,199	-	-	22,703,199
Autos and trucks	4,636,533	415,682	( 314,496)	4,737,719
Heavy equipment	4,705,366	433,034	( 46,500)	5,091,900
Equipment, furniture and fixtures	1,054,117	103,002	( 36,918)	1,120,201
Infrastructure	11,546,396	3,230	-	11,549,626
Total capital assets being depreciated	<u>44,645,611</u>	<u>954,948</u>	<u>( 397,914)</u>	<u>45,202,645</u>
Less accumulated depreciation:				
Buildings and improvements	5,747,680	719,992	-	6,467,672
Autos and trucks	3,526,866	329,544	( 314,496)	3,541,914
Heavy equipment	2,404,367	356,071	( 46,500)	2,713,938
Equipment, furniture and fixtures	864,631	45,401	( 36,918)	873,114
Infrastructure	9,692,934	283,327	( 1,985)	9,974,276
Total accumulated depreciation	<u>22,236,478</u>	<u>1,734,335</u>	<u>( 399,899)</u>	<u>23,570,914</u>
Total capital assets being depreciated, net	<u>22,409,133</u>	<u>( 779,387)</u>	<u>1,985</u>	<u>21,631,731</u>
Governmental activities capital assets, net	<u>\$ 23,152,982</u>	<u>\$( 779,387)</u>	<u>\$ 1,985</u>	<u>\$ 22,375,580</u>

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

Governmental activities:	
General administration	\$ 6,284
Judicial	3,630
Legal	8,558
Elections	2,165
Financial administration	2,743
Public safety	549,476
Public transportation	802,240
Health and welfare	870
Culture and recreation	6,124
Preservation and restoration	349,930
Conservation	<u>2,315</u>
Total depreciation expense	<u>\$ 1,734,335</u>

**Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2016, is as follows:

**Due to/from Other Funds**

	Payable fund		
	County Grant	Agency	Total
Receivable fund:			
General	\$ 34,869	\$ 245,169	\$ 280,038
Road and Bridge	-	151,350	151,350
Other Governmental	-	66,656	66,656
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 34,869</u>	<u>\$ 463,175</u>	<u>\$ 498,044</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, 2) transactions are recorded in the accounting system, and 3) payment between funds are made.

**Transfer in/out**

	Transfers in		Total
	Internal Service	Other Governmental	
Transfers out:			
General	\$ 550,000	\$ 130,000	\$ 680,000
	<u>          </u>	<u>          </u>	<u>          </u>
Total	<u>\$ 550,000</u>	<u>\$ 130,000</u>	<u>\$ 680,000</u>

**Unearned Revenues**

**Protested Property Taxes**

Harrison County contracts with the Harrison County Appraisal District to maintain the property tax roll and assess property tax values. Due to a lawsuit between a taxpayer and the Harrison County Appraisal District, Harrison County has received payment for taxes that are being contested. The final outcome of this lawsuit has been determined. In fiscal year 2016, it was settled that the County owed all taxes collected during those years to the entities in the lawsuit. The majority of the taxes deferred were paid as of September 30, 2016. The County has chosen to not recognize the remaining tax revenue or interest earned on these funds as revenue in the year received and defer this revenue until all final payments have been made.

Total unearned revenue	
due to protested property taxes	<u>\$476,933</u>

## Long-term Debt

### Schedule of Contractual Obligations

Series and Original Issue Amount		Final Maturity	Interest Rate	Outstanding 09/30/2016
General Obligation Refunding - 2016	\$ 2,830,000	02/15/23	1.47%	\$ 2,830,000
Secured Equipment - Note #xxxx009	1,050,000	09/25/28	3.03%	826,333
Secured Equipment - Note #xxxx010	188,631	11/27/19	3.19%	112,908
Secured Equipment - Note #xxxx011	150,007	04/29/20	3.19%	89,788
Secured Equipment - Note #xxxx013	723,601	11/17/17	2.14%	487,539
Secured Equipment - Note #xxxx014	714,000	5/8/2018	2.19%	<u>481,188</u>
Total				<u>\$ 4,827,756</u>

***Harrison County, Texas General Obligation Refunding Bonds, Series 2016*** – During the year ended September 30, 2016, the County refunded Obligations in order to achieve a debt service savings and to restructure the Issuer's outstanding debt service. The stated interest rate is 1.47%, and payments are due semiannually on February 15 and August 15. Under the terms of the contract, the County covenants to include in each of its annual budgets an amount sufficient to make the contract payment each year and to levy and collect taxes from year to year in an amount sufficient to fulfill and fully comply with the terms of the contract.

**Secured Equipment Loan #xxxx009**, BancorpSouth Equipment Finance, Hattiesburg, Mississippi – On October 25, 2012, Harrison County executed a loan agreement to borrow \$1,050,000 in order to finance the entire purchase equipment used for energy savings. The stated interest rate is 3.03%.The equipment was collateralized as security on the loan. Principal and interest payments on this loan are funded from the General Fund.

**Secured Equipment Loan #xxxx010**, BancorpSouth Equipment Finance, Hattiesburg, Mississippi – On October 30, 2012, Harrison County executed a loan agreement to borrow \$188,631 in order to finance the entire purchase of new equipment used in the Road and Bridge Department. The stated interest rate is 3.19%.The equipment was collateralized as security on the loan. Principal and interest payments on this loan are funded from the Debt Service Fund.

**Secured Equipment Loan #xxxx011**, BancorpSouth Equipment Finance, Hattiesburg, Mississippi – On October 30, 2012, Harrison County executed a loan agreement to borrow \$150,007 in order to finance the entire purchase new equipment used in the Road and Bridge Department. The stated interest rate is 3.19%.The equipment was collateralized as security on the loan. Principal and interest payments on this loan are funded from the Debt Service Fund.

**Secured Equipment Loan #xxxx012**, BancorpSouth Equipment Finance, Hattiesburg, Mississippi – On October 30, 2012, Harrison County executed a loan agreement to borrow \$230,785 in order to finance the entire purchase of new equipment used in the Sheriff's Department. The stated interest rate is 2.75%. The equipment was collateralized as security on the loan. Principal and interest payments on this loan are funded from the Debt Service Fund.

**Secured Equipment Loan #xxxx013**, BancorpSouth Equipment Finance, Hattiesburg, Mississippi – On August 12, 2014, Harrison County executed a loan agreement to borrow \$723,601 in order to finance the entire purchase of new equipment used in the Road and Bridge Department. The stated interest rate is 2.14%. The equipment was collateralized as security on the loan. Principal and interest payments on this loan are funded from the Debt Service Fund.

**Secured Equipment Loan #xxxx014**, BancorpSouth Equipment Finance, Hattiesburg, Mississippi – On May 05, 2015, Harrison County executed a loan agreement to borrow \$714,000 in order to finance the entire purchase of new equipment used in the Road and Bridge Department. The stated interest rate is 2.19%. The equipment was collateralized as security on the loan. Principal and interest payments on this loan are funded from the Debt Service Fund.

**Long-term Liabilities Activity**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation debt	\$ 3,100,000	\$ 2,830,000	\$ 3,100,000	\$ 2,830,000	\$ 390,000
Notes payable	2,626,934	-	629,178	1,997,756	585,391
Compensated absences	1,233,221	92,227	29,167	1,296,281	324,070
Net pension liability	2,819,932	4,677,687	1,417,239	6,080,380	
OPEB payable	<u>14,233,786</u>	<u>1,610,606</u>	<u>1,230,673</u>	<u>14,613,719</u>	-
	<u>\$ 24,013,873</u>	<u>\$ 9,210,520</u>	<u>\$ 6,406,257</u>	<u>\$ 26,818,136</u>	<u>\$ 1,299,461</u>

Total future debt service requirements for certificates of obligation and notes payable, considered individually, are as follows:

	Principal	Interest	Total
General obligation debt	\$ 2,830,000	\$ 143,295	\$ 2,973,295
Notes payable	<u>1,997,756</u>	<u>211,386</u>	<u>2,209,142</u>
	<u>\$ 4,827,756</u>	<u>\$ 354,681</u>	<u>\$ 5,182,437</u>

The combined future debt service requirements for certificates of obligation and notes payable are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 975,391	\$ 88,556	\$ 1,063,947
2018	1,004,210	69,853	1,074,063
2019	508,060	50,500	558,560
2020	526,617	41,547	568,164
2021	460,448	32,323	492,771
2022-2026	1,193,665	66,407	1,260,072
2027-2028	<u>159,365</u>	<u>5,494</u>	<u>164,859</u>
Total	<u>\$ 4,827,756</u>	<u>\$ 354,680</u>	<u>\$ 5,182,436</u>

### **Advance Refunding**

The County issued \$2,830,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local securities that were placed in an irrevocable trust for the purchase of generating resources for all future debt service payments of \$2,775,313 of certificate of obligations and refunding bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$313. This amount was expensed in fiscal year 2016. This advance refunding was undertaken to reduce total debt service payments over the next 7 years by \$202,211 and resulted in an economic gain of \$213,514.

## **4. OTHER INFORMATION**

### **Risk Management**

Harrison County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the County carries commercial insurance. There have not been significant reductions in insurance carried during the year ended September 30, 2016. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

In addition, Harrison County is a member of the Texas Association of Counties (TAC) Risk Management Pool, a public entity risk pool participating in property and casualty insurance coverage, automobile insurance coverage, and public official and law enforcement liability coverage. The pool is authorized by Chapter 119 of Local Government Code and provides coverage through an interlocal agreement authorized by The Interlocal Cooperation Act – Chapter 791, Texas Government Code. The interlocal agreement provides that the TAC pool will be self-sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$500,000 for each insured event.

Premiums paid to the pool during 2016 have been reported as expenditures in the General Fund and Special Revenue Funds.

During the year ended September 30, 2016, employees of the County were covered by a health insurance plan (the “Plan”). The County contributed to the Plan for employees and, employees, at their option, authorized payroll withholding to pay contributions for their dependents. All contributions were paid to an Internal Service Fund maintained by the County for the purpose of self-insuring these health costs. A claims administration agreement (the Agreement) was executed with a third party administrator to provide for the payment of health benefits to the employees of the County. Reinsurance coverage was obtained by the County for fiscal year 2016. This coverage provides for an individual excess risk maximum of \$2,000,000 and an aggregate excess risk maximum of \$1,000,000.

The County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through HCC Life Insurance Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect as stated in the paragraph above. Latest financial statements for HCC Life Insurance Company have been filed with the Texas State Board of Insurance, Austin, Texas, and are public record.

A liability was recorded at year-end for claims incurred prior to September 30, 2016. A liability has not been estimated for claims incurred but not reported.

An analysis of claims activity is presented below:

	Beginning Balance	Current Year Claims Expenditures	Actual Claims Payments	Ending Balance
09/30/2016	\$ 309,016	\$ 3,381,025	\$( 3,517,901)	\$ 172,140
09/30/2015	195,163	2,658,232	( 2,544,379)	309,016
09/30/2014	239,752	2,875,084	( 2,919,673)	195,163

### **Contingent Liabilities and Commitments**

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County’s attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the County.

## **Defined Benefit Pension Plan**

### **Plan Description**

The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

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

### **Benefits Provided**

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

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

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. 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	195
Inactive employees entitled to but not yet receiving benefits	227
Active employees	<u>323</u>
	<u><u>745</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 12.06% and 11.92% in calendar years 2015 and 2016, respectively. The County's contributions to TCDRS for the year ended September 30, 2016, were \$1,385,853, 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	2.5% 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 after that.
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 after that, 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 after that, 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:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation <sup>(1)</sup></b>	<b>Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup></b>
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	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 <sup>(4)</sup>	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

<sup>(1)</sup> Target asset allocation adopted at the April 2016 TCDRS Board meeting.

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

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

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

### ***Discount Rate***

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

## Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 52,697,586	\$ 49,877,654	\$ 2,819,932
Changes for the year:			
Service cost	1,447,843	-	1,447,843
Interest on total pension liability <sup>(1)</sup>	4,221,571	-	4,221,571
Effect of plan changes <sup>(2)</sup>	( 250,766)	-	( 250,766)
Effect of economic/demographic gains or losses	( 207,963)	-	( 207,963)
Effect of assumptions changes or inputs	554,196	-	554,196
Refund of contributions	( 241,748)	( 241,748)	-
Benefit payments	( 2,691,380)	( 2,691,380)	-
Administrative expenses	-	( 35,707)	35,707
Member contributions	-	822,612	( 822,612)
Net investment income	-	235,303	( 235,303)
Employer contributions	-	1,417,242	( 1,417,242)
Other <sup>(3)</sup>	-	64,984	( 64,984)
Balance at 12/31/2015	<u>\$ 55,529,339</u>	<u>\$ 49,448,960</u>	<u>\$ 6,080,380</u>

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

<sup>(2)</sup> Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018

<sup>(3)</sup> Relates to allocation of system-wide items.

## Sensitivity Analysis

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

	Current		
	1% Decrease 7.1%	Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 62,240,889	\$ 55,529,339	\$ 49,907,785
Fiduciary net position	<u>49,448,959</u>	<u>49,448,959</u>	<u>49,448,959</u>
Net pension liability/(asset)	<u>\$ 12,791,930</u>	<u>\$ 6,080,380</u>	<u>\$ 458,826</u>

## Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2015, the County recognized pension expense of \$1,373,838.

At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 368,363	\$ -
Changes in actuarial assumptions	-	415,647
Difference between projected and actual investment earnings	-	3,391,255
Contributions subsequent to the measurement date	-	1,010,461
Total	<u>\$ 368,363</u>	<u>\$ 4,817,363</u>

\$1,010,461 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 September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,		
2017	\$	856,506
2018		856,506
2019		962,702
2020		762,825

**Post-retirement Health Care Benefits**

The County provides certain health care benefits through a single-employer defined benefit OPEB plan. Qualifying, full-time employees are eligible to participate in the County’s health care plan as a retiree. Members that qualify are eligible at any age with 20 or 30 years of service or at age 60 with 8 years of service or when a member’s age plus service credit total 75 or 80. Spouses of those members are also eligible.

When a qualifying, regular full-time employee retires they are eligible to continue to participate in the County’s group health insurance plan.

Retirees who decide to opt-out for the health care plan are eligible to opt back in when coverage from another entity ceases.

## Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County's annual OPEB cost for the current year and the related information is listed below:

Annual Required Contribution (ARC)	\$ 1,795,936
Interest on Net OPEB Obligation	733,040
Adjustment to the ARC	<u>( 918,370)</u>
Annual OPEB Cost	1,610,606
Employer Contributions with Interest	<u>( 1,230,673)</u>
Increase (Decrease) in Net OPEB Obligation	379,933
Net OPEB Obligation, beginning of year	<u>14,233,786</u>
 Net OPEB Obligation, end of year	 <u>\$ 14,613,719</u>

Expenses for post-retirement health care benefits are funded on a pay-as-you-go basis.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2016	\$ 1,610,606	\$ 1,230,673	76%	\$ 14,613,719
9/30/2015	1,617,456	1,091,323	67%	14,233,786
9/30/2014	1,858,190	736,973	40%	13,707,653

## Funded Status as of the Most Recent Actuarial Valuation

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (AAL) (UAAL)	Funded Ratio	Covered Payroll	Ratio of UAAL to Covered Payroll
12/31/2014	\$ -	\$ 17,432,406	\$ 17,432,406	- %	\$ 5,945,774	293.2%

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the notes to the financial statements as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the County and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and significant assumptions used are as follows:

Actuarial Valuation Date	12/31/2014	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll
Remaining Amortization Period	30 years	30 years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	5.15%	4.5%
Payroll Growth Rate	3%	3%
Projected Salary Increases	4%	4%
General Inflation Rate	2.5%	3%
Healthcare cost trend rate	10%	10%
The number of active members is assumed to remain constant in the future		

## Prior Period Adjustment

The County has restated the beginning fund balance, effectively decreasing fund balance as of October 1, 2015 by \$136,522 for the General Fund. The decrease results from not removing an outstanding deposit that had already cleared the bank account.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**THIS PAGE LEFT BLANK INTENTIONALLY**

## HARRISON COUNTY, TEXAS

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

<b>Plan Year Ended December 31</b>	<b>2014</b>	<b>2015</b>
<b>Total Pension Liability</b>		
Service Cost	\$ 1,413,572	\$ 1,447,843
Interest total pension liability	4,023,176	4,221,571
Effect of plan changes	-	( 250,766)
Effect of assumption changes or inputs	-	554,196
Effect of economic/demographic (gains) or losses	( 424,782)	( 207,963)
Benefit payments/refunds of contributions	( 2,531,118)	( 2,933,128)
Net change in total pension liability	2,480,850	2,831,755
Total pension liability - beginning	50,216,737	52,697,587
Total pension liability - ending (a)	\$ 52,697,587	\$ 55,529,342
<b>Plan Fiduciary Net Position</b>		
Employer contributions	\$ 1,350,827	\$ 1,417,241
Member contributions	780,821	822,612
Investment income net of investment expenses	3,275,031	235,303
Benefit payments refunds of contributions	( 2,531,117)	( 2,933,128)
Administrative expenses	( 37,419)	( 35,707)
Other	( 274,959)	64,986
Net change in plan fiduciary net position	2,563,184	( 428,693)
Plan fiduciary net position - beginning	47,314,471	49,877,655
Plan fiduciary net position - ending (b)	\$ 49,877,655	\$ 49,448,962
Net pension liability - ending (a) - (b)	\$ 2,819,932	\$ 6,080,380
Fiduciary net position as a percentage of total pension liability	94.65%	89.05%
Pensionable covered payroll	\$ 11,154,589	\$ 11,751,604
Net pension liability as a percentage of covered payroll	25.28%	51.74%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

**HARRISON COUNTY, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<b>Fiscal Year Ended September 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2014	\$ 1,311,752	\$ 1,311,752	\$ -	\$ 10,997,967	11.9%
2015	1,365,098	1,365,098	-	11,308,155	12.1%
2016	1,385,853	1,385,853	-	11,589,728	12.0%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

# HARRISON COUNTY, TEXAS

## NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b><u>Methods and assumptions used to determine contributions rates:</u></b>	
<b>Actuarial Cost Method</b>	Entry age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	13.7 years (based on contribution rate calculated in 12/31/2015 valuation)
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	3.0%
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career including inflation.
<b>Investment Rate of Return</b>	8.0%, net of investment expenses, including inflation.
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	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.
<b>Changes in Plan Provisions Reflected in the Schedule</b>	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

**HARRISON COUNTY, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of of Covered Payroll (b-a)/(c)
12/31/2010	\$ -	\$ 29,751,427	0.0%	\$ 29,751,427	\$ 10,418,248	285.57%
12/31/2010*	-	25,159,575	0.0%	25,159,575	10,418,248	241.50%
12/31/2012	-	18,541,396	0.0%	18,541,396	10,412,837	178.06%
12/31/2014	-	17,432,406	0.0%	17,432,406	5,945,774	293.19%

\* Updated 12/31/2010 liability based on the health plan changes made for the 2012 plan year.

**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS**

**THIS PAGE LEFT BLANK INTENTIONALLY**

**HARRISON COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2016**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,248,124	\$ 11,607	\$ 267,045	\$ 2,526,776
Receivables:				
Accounts receivable	1,726	-	-	1,726
Due from other governments	60,428	-	-	60,428
Due from other funds	63,095	3,526	35	66,656
Prepaid expenditures	175	-	-	175
Total assets	2,373,548	15,133	267,080	2,655,761
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	215,124	-	95,723	310,847
Accrued wages payable	53,828	-	-	53,828
Unearned revenue	7,500	-	-	7,500
Total liabilities	276,452	-	95,723	372,175
Fund balances				
Nonspendable	175	-	-	175
Restricted	1,805,371	15,133	171,357	1,991,861
Committed	291,550	-	-	291,550
Total fund equity	2,097,096	15,133	171,357	2,283,586
Total liabilities and fund equity	\$ 2,373,548	\$ 15,133	\$ 267,080	\$ 2,655,761

**THIS PAGE LEFT BLANK INTENTIONALLY**

**HARRISON COUNTY, TEXAS**

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

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,348,054	\$ 1,015,521	\$ 9,956	\$ 2,373,531
Licenses and permits	1,650	-	-	1,650
Intergovernmental	212,356	-	-	212,356
Charges for services	967,138	4,934	-	972,072
Fines and forfeitures	186,437	-	-	186,437
Investment earnings	12,559	718	2,029	15,306
Miscellaneous	20,527	-	-	20,527
Total revenues	<u>2,748,721</u>	<u>1,021,173</u>	<u>11,985</u>	<u>3,781,879</u>
<b>EXPENDITURES</b>				
Current expenditures:				
General administration	447,206	750	224,514	672,470
Judicial	384,161	-	-	384,161
Legal	59,994	-	-	59,994
Elections	69,747	-	-	69,747
Public safety	1,387,623	-	60,940	1,448,563
Public transportation	28,895	-	-	28,895
Debt service				
Principal	-	897,920	-	897,920
Interest and other charges	-	219,144	-	219,144
Total expenditures	<u>2,377,626</u>	<u>1,117,814</u>	<u>285,454</u>	<u>3,780,894</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>371,095</u>	<u>( 96,641)</u>	<u>( 273,469)</u>	<u>985</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	2,830,000	-	2,830,000
Operating transfer in	50,000	-	80,000	130,000
Payment to escrow agent	-	<u>( 2,775,313)</u>	-	<u>( 2,775,313)</u>
Total other financing sources (uses)	<u>50,000</u>	<u>54,687</u>	<u>80,000</u>	<u>184,687</u>
<b>NET CHANGE IN FUND BALANCES</b>	421,095	( 41,954)	( 193,469)	185,672
<b>FUND BALANCES, BEGINNING</b>	<u>1,676,001</u>	<u>57,087</u>	<u>364,826</u>	<u>2,097,914</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 2,097,096</u>	<u>\$ 15,133</u>	<u>\$ 171,357</u>	<u>\$ 2,283,586</u>

**HARRISON COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2016**

	<u>Jury</u>	<u>Bail Bond Board</u>	<u>Drug Forfeitures</u>	<u>Permanent School Fund</u>	<u>Airport Maintenance</u>	<u>Tax Collector VIT</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 25,063	\$ 116,852	\$ 10,444	\$ 100,563	\$ 191,311	\$ 92,192
Receivables:						
Accounts receivable	-	-	-	-	1,538	-
Due from other governments	3,706	-	-	-	5,557	-
Due from other funds	2,049	-	-	-	-	504
Prepaid expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>30,818</u>	<u>116,852</u>	<u>10,444</u>	<u>\$ 100,563</u>	<u>198,406</u>	<u>92,696</u>
<b>LIABILITIES</b>						
Liabilities:						
Accounts payable	-	-	-	-	1,266	-
Accrued wages payable	6,096	-	-	-	-	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>6,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,266</u>	<u>-</u>
Fund balances						
Nonspendable	-	-	-	-	-	-
Restricted	-	116,852	10,444	100,563	197,140	92,696
Committed	<u>24,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>24,722</u>	<u>116,852</u>	<u>10,444</u>	<u>100,563</u>	<u>197,140</u>	<u>92,696</u>
Total liabilities and fund balances	<u>\$ 30,818</u>	<u>\$ 116,852</u>	<u>\$ 10,444</u>	<u>\$ 100,563</u>	<u>\$ 198,406</u>	<u>\$ 92,696</u>

<u>Justice Technology</u>	<u>Law Library</u>	<u>Juvenile Services</u>	<u>Records Management</u>	<u>Security</u>	<u>District Attorney Special</u>	<u>District Court Technology</u>
\$ 193,407	\$ 68,275	\$ 259,933	\$ 616,772	\$ 85,959	\$ 225,624	\$ 29,290
-	-	92	-	-	96	-
-	-	51,165	-	-	-	-
1,795	6,717	4,089	26,607	4,514	-	1,253
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>	<u>-</u>
<u>195,202</u>	<u>74,992</u>	<u>315,279</u>	<u>643,379</u>	<u>90,473</u>	<u>225,895</u>	<u>30,543</u>
463	3,401	3,481	204,299	-	2,214	-
-	215	44,970	-	2,547	-	-
-	-	-	-	-	7,500	-
<u>463</u>	<u>3,616</u>	<u>48,451</u>	<u>204,299</u>	<u>2,547</u>	<u>9,714</u>	<u>-</u>
-	-	-	-	-	175	-
194,739	71,376	-	439,080	87,926	216,006	30,543
-	-	266,828	-	-	-	-
<u>194,739</u>	<u>71,376</u>	<u>266,828</u>	<u>439,080</u>	<u>87,926</u>	<u>216,181</u>	<u>30,543</u>
<u>\$ 195,202</u>	<u>\$ 74,992</u>	<u>\$ 315,279</u>	<u>\$ 643,379</u>	<u>\$ 90,473</u>	<u>\$ 225,895</u>	<u>\$ 30,543</u>

**HARRISON COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**

**SEPTEMBER 30, 2016**

	<u>County Court Technology</u>	<u>Case Manager</u>	<u>District Clerk Preservation</u>	<u>County Clerk Preservation</u>	<u>6th Court of Appeal</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,723	\$ 20,471	\$ 57,489	\$ 29,736	\$ 378
Receivables:					
Accounts receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	351	1,662	2,333	420	959
Prepaid expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>2,074</u>	<u>22,133</u>	<u>59,822</u>	<u>30,156</u>	<u>1,337</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable	-	-	-	-	-
Accrued wages payable	-	-	-	-	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	2,074	22,133	59,822	30,156	1,337
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>2,074</u>	<u>22,133</u>	<u>59,822</u>	<u>30,156</u>	<u>1,337</u>
Total liabilities and fund equity	<u>\$ 2,074</u>	<u>\$ 22,133</u>	<u>\$ 59,822</u>	<u>\$ 30,156</u>	<u>\$ 1,337</u>

<u>Vital Archive Fee</u>	<u>Election Contracts</u>	<u>Court Initiated Guardianship</u>	<u>Youth Enrichment</u>	<u>Totals</u>
\$ 7,800	\$ 24,165	\$ 27,827	\$ 62,850	\$ 2,248,124
-	-	-	-	1,726
-	-	-	-	60,428
260	-	510	9,072	63,095
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>
<u>8,060</u>	<u>24,165</u>	<u>28,337</u>	<u>71,922</u>	<u>2,373,548</u>
-	-	-	-	215,124
-	-	-	-	53,828
-	-	-	-	7,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276,452</u>
-	-	-	-	175
8,060	24,165	28,337	71,922	1,805,371
-	-	-	-	291,550
<u>8,060</u>	<u>24,165</u>	<u>28,337</u>	<u>71,922</u>	<u>2,097,096</u>
<u>\$ 8,060</u>	<u>\$ 24,165</u>	<u>\$ 28,337</u>	<u>\$ 71,922</u>	<u>\$ 2,373,548</u>

**HARRISON COUNTY, TEXAS**

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

**NONMAJOR SPECIAL REVENUE FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Jury	Bail Bond Board	Drug Forfeitures	Permanent School Fund	Airport Maintenance	Tax Collector VIT
<b>REVENUES</b>						
Ad valorem taxes	\$ 189,166	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	1,650	-	-	-	-
Intergovernmental	18,496	-	4,174	-	6,557	-
Charges for services	4,937	-	-	-	168,629	4,553
Fines and forfeitures	-	-	-	-	-	-
Investment earnings	308	768	64	74	996	928
Miscellaneous	-	-	-	3,526	17,001	-
Total revenues	212,907	2,418	4,238	3,600	193,183	5,481
<b>EXPENDITURES</b>						
Current expenditures:						
General administration	-	10,000	-	-	120,738	2,301
Judicial	221,176	-	-	-	-	-
Legal	-	-	-	-	-	-
Elections	-	-	-	-	-	-
Public safety	-	-	2,577	-	-	-
Public transportation	-	-	-	-	28,895	-
Total expenditures	221,176	10,000	2,577	-	149,633	2,301
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 8,269)	( 7,582)	1,661	3,600	43,550	3,180
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	( 8,269)	( 7,582)	1,661	3,600	43,550	3,180
<b>FUND BALANCE, BEGINNING</b>	32,991	124,434	8,783	96,963	153,590	89,516
<b>FUND BALANCE, ENDING</b>	\$ 24,722	\$ 116,852	\$ 10,444	\$ 100,563	\$ 197,140	\$ 92,696

Justice Technology	Law Library	Juvenile Services	Records Management	Security	District Attorney Special	District Court Technology
\$ -	\$ -	\$ 1,158,888	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	89,859	-	-	22,500	-
25,184	44,736	229,851	304,125	47,179	4,993	4,818
-	-	-	-	-	186,437	-
1,505	399	2,199	2,805	580	766	174
-	-	-	-	-	-	-
<u>26,689</u>	<u>45,135</u>	<u>1,480,797</u>	<u>306,930</u>	<u>47,759</u>	<u>214,696</u>	<u>4,992</u>
10,191	5,643	-	298,333	-	-	-
-	36,698	-	958	98,026	-	-
-	-	-	-	-	56,154	-
-	-	-	-	-	-	-
114,231	-	1,267,227	-	3,588	-	-
-	-	-	-	-	-	-
<u>124,422</u>	<u>42,341</u>	<u>1,267,227</u>	<u>299,291</u>	<u>101,614</u>	<u>56,154</u>	<u>-</u>
( <u>97,733</u> )	<u>2,794</u>	<u>213,570</u>	<u>7,639</u>	( <u>53,855</u> )	<u>158,542</u>	<u>4,992</u>
-	-	-	-	50,000	-	-
-	-	-	-	50,000	-	-
( <u>97,733</u> )	<u>2,794</u>	<u>213,570</u>	<u>7,639</u>	( <u>3,855</u> )	<u>158,542</u>	<u>4,992</u>
<u>292,472</u>	<u>68,582</u>	<u>53,258</u>	<u>431,441</u>	<u>91,781</u>	<u>57,639</u>	<u>25,551</u>
<u>\$ 194,739</u>	<u>\$ 71,376</u>	<u>\$ 266,828</u>	<u>\$ 439,080</u>	<u>\$ 87,926</u>	<u>\$ 216,181</u>	<u>\$ 30,543</u>

## HARRISON COUNTY, TEXAS

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

#### NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>County Court Technology</u>	<u>Case Manager</u>	<u>District Clerk Preservation</u>	<u>County Clerk Preservation</u>	<u>6th Court of Appeal</u>
<b>REVENUES</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	1,945	22,790	9,276	4,360	5,169
Fines and forfeitures	-	-	-	-	-
Investment earnings	5	100	341	180	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,950</u>	<u>22,890</u>	<u>9,617</u>	<u>4,540</u>	<u>5,169</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General administration	-	-	-	-	-
Judicial	-	14,372	-	931	-
Legal	-	-	-	-	3,840
Elections	-	-	-	-	-
Public safety	-	-	-	-	-
Public transportation	-	-	-	-	-
Total expenditures	<u>-</u>	<u>14,372</u>	<u>-</u>	<u>931</u>	<u>3,840</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,950</u>	<u>8,518</u>	<u>9,617</u>	<u>3,609</u>	<u>1,329</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,950	8,518	9,617	3,609	1,329
<b>FUND BALANCE, BEGINNING</b>	<u>124</u>	<u>13,615</u>	<u>50,205</u>	<u>26,547</u>	<u>8</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,074</u>	<u>\$ 22,133</u>	<u>\$ 59,822</u>	<u>\$ 30,156</u>	<u>\$ 1,337</u>

<u>Vital Archive Fees</u>	<u>Election Contracts</u>	<u>Court Initiated Guardianship</u>	<u>Youth Enrichment</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,348,054
-	-	-	-	1,650
-	70,770	-	-	212,356
3,948	3,973	4,750	71,922	967,138
-	-	-	-	186,437
88	118	161	-	12,559
-	-	-	-	20,527
<u>4,036</u>	<u>74,861</u>	<u>4,911</u>	<u>71,922</u>	<u>2,748,721</u>
-	-	-	-	447,206
12,000	-	-	-	384,161
-	-	-	-	59,994
-	69,747	-	-	69,747
-	-	-	-	1,387,623
-	-	-	-	28,895
<u>12,000</u>	<u>69,747</u>	<u>-</u>	<u>-</u>	<u>2,377,626</u>
<u>( 7,964)</u>	<u>5,114</u>	<u>4,911</u>	<u>71,922</u>	<u>371,095</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<u>( 7,964)</u>	<u>5,114</u>	<u>4,911</u>	<u>71,922</u>	<u>421,095</u>
<u>16,024</u>	<u>19,051</u>	<u>23,426</u>	<u>-</u>	<u>1,676,001</u>
<u>\$ 8,060</u>	<u>\$ 24,165</u>	<u>\$ 28,337</u>	<u>\$ 71,922</u>	<u>\$ 2,097,096</u>

# HARRISON COUNTY, TEXAS

## COMBINING STATEMENT OF ASSETS AND LIABILITIES

### AGENCY FUNDS

SEPTEMBER 30, 2016

	<u>County Treasurer</u>	<u>County Clerk</u>	<u>District Attorney</u>	<u>District Clerk</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 104,900	\$ 540,197	\$ 34,688	\$ 2,865,960
Investments	<u>-</u>	<u>227,057</u>	<u>-</u>	<u>1,070,770</u>
Total assets	<u>104,900</u>	<u>767,254</u>	<u>34,688</u>	<u>3,936,730</u>
<b>LIABILITIES</b>				
Accounts payable	-	1,347	34,688	1,863
Due to other governments	104,887	6,420	-	77,540
Due to other funds	13	61,695	-	103,928
Unearned revenue	-	-	-	-
Court ordered funds	-	470,735	-	2,682,629
Court ordered trust and prisoner funds	<u>-</u>	<u>227,057</u>	<u>-</u>	<u>1,070,770</u>
Total liabilities	<u>\$ 104,900</u>	<u>\$ 767,254</u>	<u>\$ 34,688</u>	<u>\$ 3,936,730</u>

<u>Justices of the Peace</u>	<u>Juvenile Center</u>	<u>Sheriff</u>	<u>Tax Assessor- Collector</u>	<u>Fines Collection</u>	<u>Cafeteria Plan</u>	<u>Totals</u>
\$ 111,530	\$ 426	\$ 647,916	\$ 846,768	\$ 83,214	\$ 31,697	\$ 5,267,296
<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>1,447,827</u>
<u>111,530</u>	<u>426</u>	<u>647,916</u>	<u>996,768</u>	<u>83,214</u>	<u>31,697</u>	<u>6,715,123</u>
-	70	3,609	26,423	2,357	31,697	102,054
41,699	-	-	606,900	17,828	-	855,274
66,831	356	10	167,313	63,029	-	463,175
-	-	571,501	196,132	-	-	767,633
3,000	-	-	-	-	-	3,156,364
<u>-</u>	<u>-</u>	<u>72,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,370,623</u>
<u>\$ 111,530</u>	<u>\$ 426</u>	<u>\$ 647,916</u>	<u>\$ 996,768</u>	<u>\$ 83,214</u>	<u>\$ 31,697</u>	<u>\$ 6,715,123</u>

**THIS PAGE LEFT BLANK INTENTIONALLY**

**INTERNAL CONTROL  
AND COMPLIANCE SECTION**

**THIS PAGE LEFT BLANK INTENTIONALLY**



P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable County Judge  
and County Commissioners  
Harrison County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Harrison County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise of Harrison County, Texas' basic financial statements, and have issued our report thereon dated June 21, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Waco, Texas  
June 21, 2017

**HARRISON COUNTY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

None

**THIS PAGE LEFT BLANK INTENTIONALLY**