

**HARRISON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2018**



# HARRISON COUNTY, TEXAS

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SEPTEMBER 30, 2018

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## **FINANCIAL SECTION**

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## 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, 2018, 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***

Harrison County, Texas' 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.

#### OFFICE LOCATIONS

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

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

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

### ***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, 2018, 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 I to the financial statements, in 2018 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 and required supplementary information, as listed in the table of contents, 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 10, 2019, 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 10, 2019

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **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, 2018. 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 \$11,263,487. This is an increase of \$1,272,777 or 13.6% compared to the prior year. The increase was primarily caused by a significant gain on the sale of road and bridge capital assets during the fiscal year.
- Total net position are comprised of: 1) net investment in capital assets, of \$16,799,322, including property and equipment, net of accumulated depreciation; 2) amounts restricted by debt covenants, grantors, or statute of \$2,050,021; and 3) the County's unrestricted net position at year-end, which is a deficit balance of \$7,585,856 .
- Total governmental long-term debt of the County decreased by \$514,607. This decrease resulted from regularly scheduled principal payments. The County did not issue long-term debt during the fiscal year, so no increases resulted.
- The unassigned fund balance in the General Fund, as shown in the fund financial statements, is \$6,796,804 or 35.4% 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 long-term view of the County's finances. For governmental activities, these statements show 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, 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, shown below, lists assets in the order of liquidity, beginning with cash and ending with capital assets. Current assets include cash and other assets expected to be converted to cash within the next fiscal year. These include amounts due from other governments, receivables net of allowances for doubtful accounts, and prepaid expenditures. For property taxes receivable, the County has historically noted a collection rate of approximately 98.0 percent. Total land, buildings, infrastructure, equipment, and improvements (including construction in progress of \$147,405) are \$19,707,247. This amount is net of accumulated depreciation of \$25,694,203. Capital asset balances have continued to decrease as depreciation accumulates in excess of new purchases. Because these decreases represent the continued use of limited-life assets, future outlays will be necessary to replace assets as they are retired.

Liabilities are reported by current (payable in one year) and long-term classifications. Current liabilities include accounts payable, wages payable, and the portion of long-term liabilities due within the next year. Net position at year-end are \$11,263,487; a total of \$2,050,021 is restricted for specific purposes, as required by state law or grantor requirements; \$16,799,322 represents the County's net investment in capital assets, and \$7,585,856 is a deficit of unrestricted net position that is available for funding general operations. Unrestricted net position increased by \$2,153,869, total assets increased \$1,070,942, and total net position increased by \$1,874,093. The County also has deferred outflows in the amount of \$2,052,885 and deferred inflows in the amount of \$1,509,099, both of which are exclusively related to pensions and OPEB.

## HARRISON COUNTY'S NET POSITION

	Governmental Activities	
	2018	2017
Current and other assets	\$ 14,898,688	\$ 13,188,364
Capital assets	<u>19,707,247</u>	<u>20,346,629</u>
Total assets	<u>34,605,935</u>	<u>33,534,993</u>
Deferred outflows of resources	<u>2,052,885</u>	<u>4,003,611</u>
Current liabilities	1,250,568	2,595,995
Noncurrent liabilities	<u>22,635,666</u>	<u>24,886,838</u>
Total liabilities	<u>23,886,234</u>	<u>27,482,833</u>
Deferred inflows of resources	<u>1,509,099</u>	<u>666,377</u>
Net position:		
Net investment in capital assets	16,799,322	16,925,879
Restricted	2,050,021	2,203,240
Unrestricted	<u>( 7,585,856)</u>	<u>( 9,739,725)</u>
Total net position	<u>\$ 11,263,487</u>	<u>\$ 9,389,394</u>

Revenues and expenses can be generally categorized by the function performing the activity. General revenues are available to cover the expenses of activities that do not generate sufficient program revenues. Total revenue for governmental activities was \$29,494,289. Total governmental expenses were \$28,221,512 resulting in an increase in net position of \$1,272,777. More details about the decrease are discussed in the Financial Analysis of the County Funds.

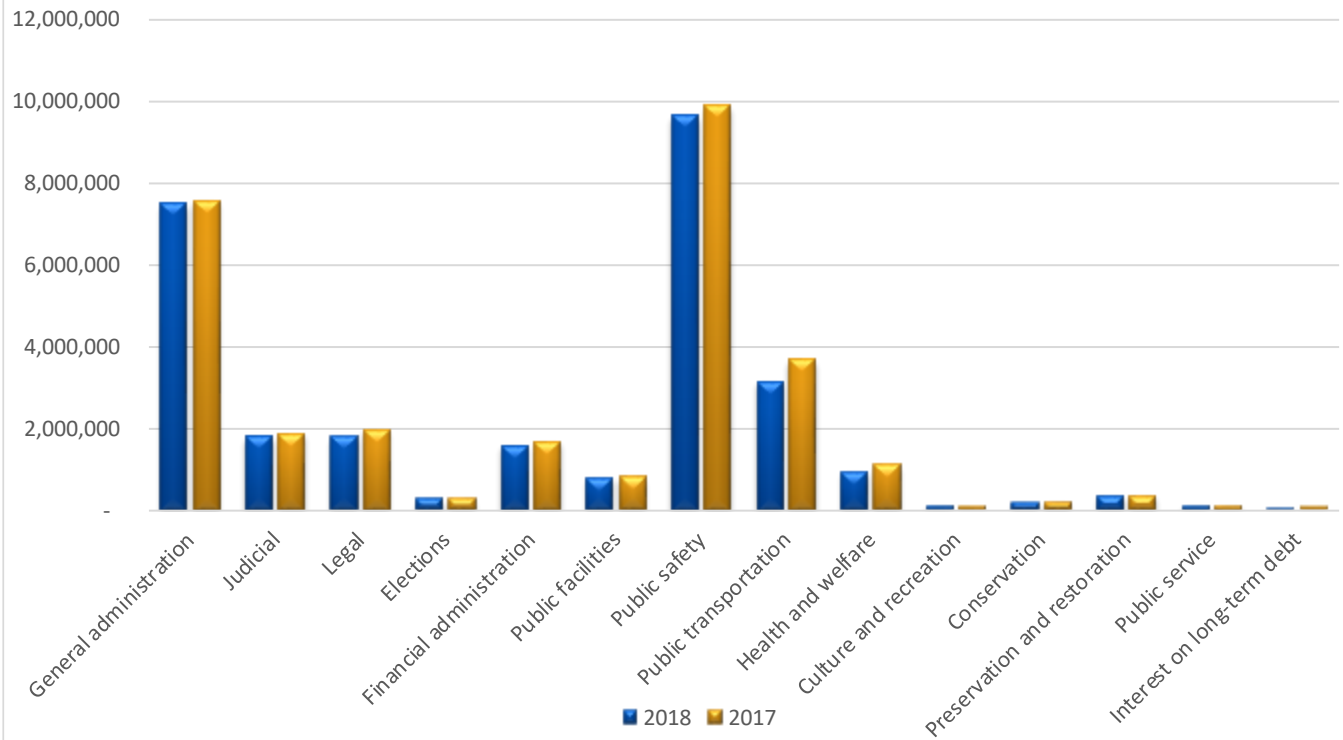
## HARRISON COUNTY'S CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 4,897,692	\$ 4,913,096
Operating grants and contributions	901,545	1,309,895
General revenues:		
Property taxes	21,585,566	21,289,509
Investment earnings	209,752	99,807
Insurance recoveries	52,702	5,550
Gain on sale of assets	1,447,682	-
Miscellaneous	399,350	280,815
Total revenues	<u>29,494,289</u>	<u>27,898,672</u>
Expenses:		
General administration	7,502,924	7,572,750
Judicial	1,797,622	1,849,150
Legal	1,790,365	1,969,077
Elections	283,788	294,595
Financial administration	1,571,832	1,663,064
Public facilities	778,283	800,901
Public safety	9,640,390	9,887,561
Public transportation	3,134,884	3,687,189
Health and welfare	935,751	1,096,016
Culture and recreation	100,161	86,295
Conservation	179,026	189,095
Preservation and restoration	350,821	348,488
Public service	101,200	106,051
Interest on long-term debt	54,465	80,311
Total expenses	<u>28,221,512</u>	<u>29,630,543</u>
Change in net position	1,272,777	( 1,731,871)
Net position - beginning	<u>9,389,394</u>	<u>11,121,265</u>
Prior period adjustment	<u>601,316</u>	<u>-</u>
Net position - ending	<u>\$ 11,263,487</u>	<u>\$ 9,389,394</u>

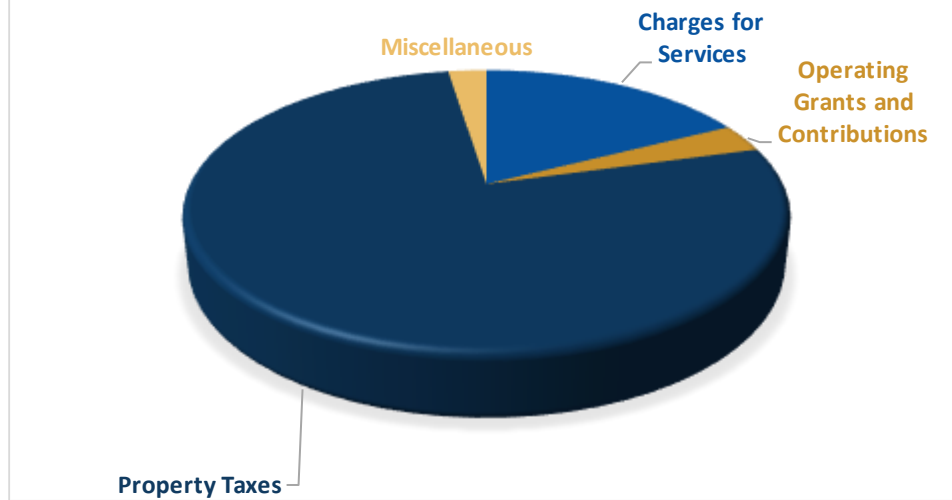
Revenues and expenses for governmental activities are compared below showing the relation between the cost of services and the revenue generated from users of the service. This table also shows how much general revenue (property taxes) and grants are needed to provide each service. Over the last several years, the County has seen property tax collections at 98.0% 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 operates a collection department that focuses on maximizing the collection of the fines and fees that are assessed by the courts.

The County showed decreases (approximately \$1.4 million in total) in most expense functions during fiscal year 2018. This was due to the County's continued effort to lower expenses County-wide. The County's goal is to maintain this effort in future years.

## Expenses - Governmental Activities



## REVENUE BY SOURCE FY18



## HARRISON COUNTY'S GOVERNMENTAL ACTIVITIES

	Charges for Services	% of	Functional	Percent	Funded by	
	2018	Total	Expenses 2018	of Total	Other Revenues	
					Amount	Percent
General administration	\$ 1,791,750	6.1%	\$ 7,502,924	26.6%	\$( 5,711,174)	( 76.1%)
Judicial	1,386,209	4.7%	1,797,622	6.4%	( 411,413)	( 22.9%)
Legal	18,018	0.1%	1,790,365	6.3%	( 1,772,347)	( 99.0%)
Elections	2,512	0.0%	283,788	1.0%	( 281,276)	( 99.1%)
Financial administration	1,011,181	3.4%	1,571,832	5.6%	( 560,651)	( 35.7%)
Public facilities	-	- %	778,283	2.8%	( 778,283)	( 100.0%)
Public safety	583,265	2.0%	9,640,390	34.2%	( 9,057,123)	( 93.9%)
Public transportation	104,757	0.4%	3,134,884	11.1%	( 3,030,127)	( 96.7%)
Health and welfare	-	- %	935,751	3.3%	( 935,751)	( 100.0%)
Culture and recreation	-	- %	100,161	0.4%	( 100,161)	( 100.0%)
Conservation	-	- %	179,026	0.6%	( 179,026)	( 100.0%)
Preservation and restoration	-	- %	350,821	1.2%	( 350,821)	( 100.0%)
Public service	-	- %	101,200	0.4%	( 101,200)	( 100.0%)
Interest on long-term debt	-	- %	54,465	0.2%	( 54,465)	( 100.0%)
Total	4,897,692	16.6%	<u>\$ 28,221,512</u>	<u>100.0%</u>	( 23,323,818)	
<b>OPERATING GRANTS AND CONTRIBUTIONS</b>	901,545	3.1%			901,545	
<b>GENERAL REVENUES</b>	<u>23,695,052</u>	<u>80.3%</u>			<u>23,695,052</u>	
<b>TOTAL REVENUES</b>	<u>\$ 29,494,289</u>	<u>100.0%</u>				
<b>CHANGE IN NET POSITION</b>					<u>\$ 1,272,777</u>	

### Capital Assets and Debt Administration

*Capital Assets* – Net capital assets decreased by approximately \$639,626 primarily due to depreciation expense exceeding the amount of capital additions.

## HARRISON COUNTY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities	
	2018	2017
Land, buildings and improvements	\$ 16,144,506	\$ 16,343,013
Autos and trucks	1,058,188	1,191,001
Heavy equipment	1,129,092	1,131,510
Other equipment, furniture and fixtures	170,378	224,599
Construction in progress	147,405	147,405
Infrastructure	<u>1,057,678</u>	<u>1,309,345</u>
Total capital assets, net	<u>\$ 19,707,247</u>	<u>\$ 20,346,873</u>

## Outstanding Debt

The table below reports the outstanding balances of debt for 2018 and 2017 for governmental activities. The County's balance in general obligation debt and notes payable decreased from fiscal year 2017 due to the scheduled payments on debt. 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	
	2018	2017
General obligation debt	\$ 2,035,000	\$ 2,440,000
Notes payable	813,157	922,764
Compensated absences	<u>1,271,311</u>	<u>1,256,624</u>
Total long-term debt	\$ <u>4,119,468</u>	\$ <u>4,619,388</u>

## FINANCIAL ANALYSIS OF THE COUNTY FUNDS

### Governmental Funds

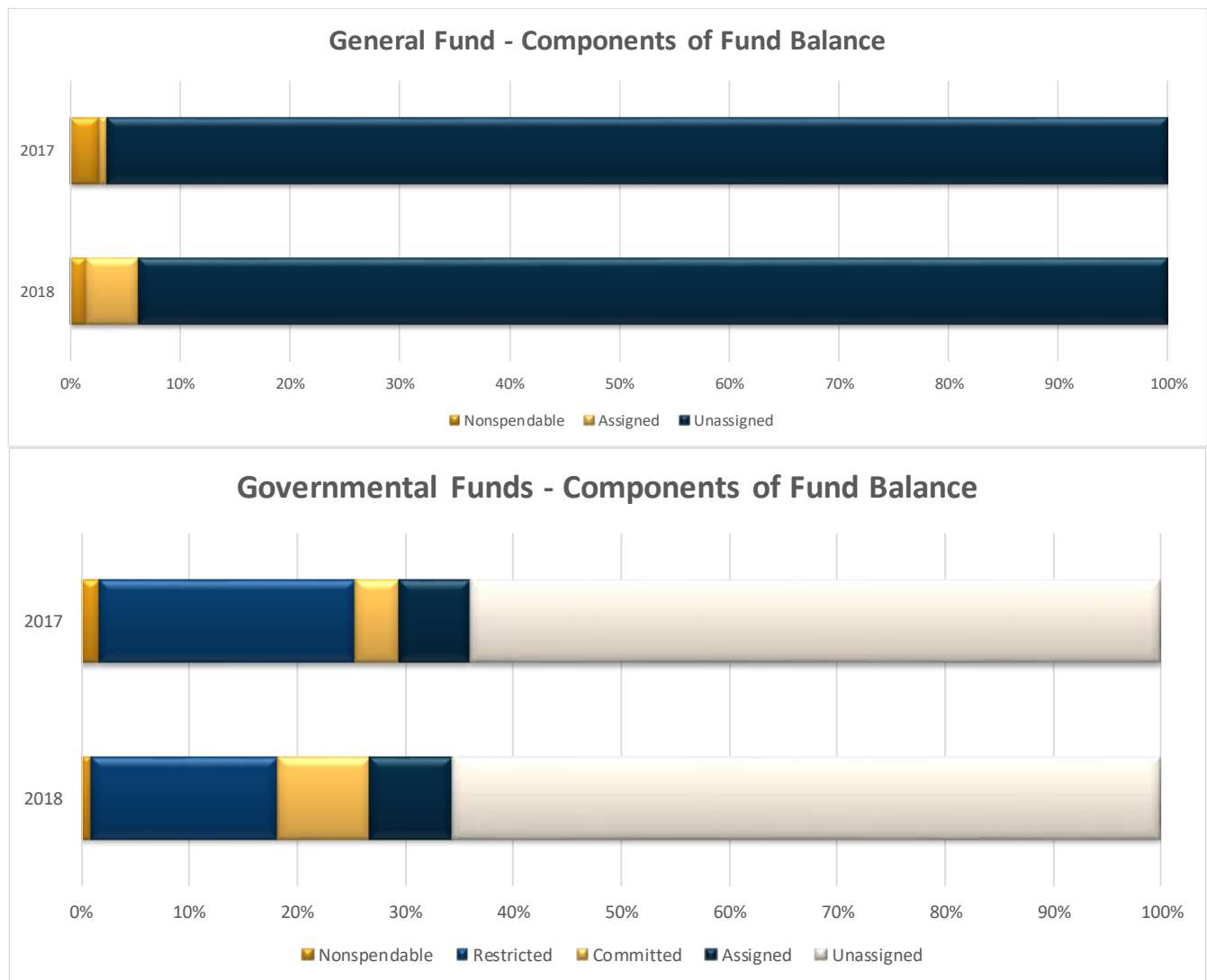
The governmental fund statements include the General Fund, Road and Bridge Fund, and County Grant Fund which comprise the County's major funds and all other governmental funds combined. These statements focus on short-term transactions and the impact they have on financial resources for future financial requirements. The total fund balances at year-end for all governmental funds are \$11,838,776, an increase of \$2,578,184 from the prior year. This represented a 27.8% increase in total fund balances. This increase was mainly in the General Fund, due to increase in property tax revenues.

The General Fund is the primary day-to-day operating fund that finances services such as the courts and law enforcement. Approximately 84.9% of the revenue to support these services is generated by ad valorem taxes. General Fund operations resulted in a increase in fund balance of \$1,205,657. The ending fund balance of \$7,244,505 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 an increase of 20.0% over fiscal year 2017 fund balance, primarily caused by an increase in property tax revenue.

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 \$882,584. The increase was mainly caused by the sale of capital assets in FY18.

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 \$16,189. This increase was attributable to a slight excess of revenues over expenditures; grant fund revenues are typically expected to equal expenditures.

All other governmental funds are combined to form the nonmajor governmental fund category. Combined fund balances increased by \$473,754.



## Proprietary Fund

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 full-time and retired County employees and their dependents that qualify. The plan has experienced a decrease in fund balance over the past few years due to 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.

The original General Fund budget planned for revenues to exceed expenditures by \$42,830. Amendments made throughout the year were designed to account for both expected changes in revenue and the changes in expenditures made as a result. During the current year, the original General Fund expenditure budget was increased by \$445,492.

The original Road and Bridge Fund budget planned for expenditures to exceed revenues by \$970,561. However, actual expenditures were \$299,273 less than what was budgeted.

## **BUDGET FOR 2018 – 2019 AND LATER**

For the FY 2019, 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 has two lease-purchase programs in which the County sells back old motorgraders and dump trucks then acquires new ones. The lease program for motorgraders occurs every three years and is an ongoing capital management program. The lease program for the dump trucks is a thirteen-month lease. Except for these 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 interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

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



# **BASIC FINANCIAL STATEMENTS**

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**HARRISON COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	Primary Government Governmental Activities	Component Unit Industrial Development Authority
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,103,042	\$ 299,684
Investments	-	1,846,781
Receivables, net:		
Property taxes	1,650,287	-
Accounts receivable	304,946	-
Due from other governments	290,228	-
Due from agency funds	437,431	-
Prepaid expenditures	112,754	-
Capital assets:		
Land, buildings and improvements	24,158,631	-
Autos and trucks	4,878,339	-
Heavy equipment	3,543,667	-
Other equipment, furniture and fixtures	1,134,772	-
Construction in progress	147,405	-
Infrastructure	11,538,636	-
Accumulated depreciation	( 25,694,203)	-
Total capital assets	<u>19,707,247</u>	<u>-</u>
Total assets	<u>34,605,935</u>	<u>2,146,465</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	1,305,945	-
Deferred outflows related to OPEB	746,940	-
Total deferred outflows of resources	<u>2,052,885</u>	<u>-</u>
<b>LIABILITIES</b>		
Accounts payable	737,125	-
Accrued wages payable	503,508	-
Accrued interest payable	9,935	-
Noncurrent liabilities:		
Due within one year:		
Long-term Debt	825,888	-
Net OPEB liability	984,636	-
Due in more than one year		
Long-term Debt	3,293,580	-
Net Pension liability	2,686,509	-
Net OPEB liability	14,845,053	-
Total liabilities	<u>23,886,234</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pensions	1,403,866	-
Deferred inflows related to OPEB	105,233	-
Total deferred inflows of resources	<u>1,509,099</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	16,799,322	-
Restricted for:		
Debt service	4,683	-
Capital projects	416,722	-
Special purposes	1,628,616	-
Unrestricted	( 7,585,856)	2,146,465
Total net position	<u>\$ 11,263,487</u>	<u>\$ 2,146,465</u>

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

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# HARRISON COUNTY, TEXAS

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

				Changes Net Position						
				Primary Government	Component Unit					
Program Revenues										
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Industrial Development Authority					
Expenses										
<b>PRIMARY GOVERNMENT</b>										
General administration	\$	7,502,924	\$	1,791,750	\$	6,451	\$(	5,704,723)	\$	-
Judicial		1,797,622		1,386,209		28,208	(	383,205)		-
Legal		1,790,365		18,018		123,116	(	1,649,231)		-
Elections		283,788		2,512		39,568	(	241,708)		-
Financial administration		1,571,832		1,011,181		-	(	560,651)		-
Public facilities		778,283		-		-	(	778,283)		-
Public safety		9,640,390		583,265		550,522	(	8,506,603)		-
Public transportation		3,134,884		104,757		109,707	(	2,920,420)		-
Health and welfare		935,751		-		9,860	(	925,891)		-
Culture and recreation		100,161		-		-	(	100,161)		-
Conservation		179,026		-		7,692	(	171,334)		-
Preservation and restoration		350,821		-		-	(	350,821)		-
Public service		101,200		-		26,421	(	74,779)		-
Interest and other charges		54,465		-		-	(	54,465)		-
Total primary government governmental activities		28,221,512		4,897,692		901,545	(	22,422,275)		-
<b>COMPONENT UNIT</b>										
Industrial Development Authority	\$	85,308	\$	-	\$	-		-	(	85,308)
General revenues:										
Property taxes								21,556,174		-
Miscellaneous taxes								29,392		-
Investment earnings								209,752		8,820
Insurance recoveries								52,702		-
Gain on sale of assets								1,447,682		-
Miscellaneous								399,350		-
Total general revenues								23,695,052		8,820
Change in net position								1,272,777	(	76,488)
Net position, beginning								9,389,394		2,222,953
Prior period adjustment								601,316		-
Net position, ending								11,263,487	\$	2,146,465

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

**HARRISON COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	General	Road and Bridge	County Grant	Other Governmental	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,441,717	\$ 1,514,428	\$ -	\$ 3,052,602	\$ 12,008,747
Receivables, net					
Property taxes	1,650,287	-	-	-	1,650,287
Accounts receivable	263,580	464	-	13,561	277,605
Due from other governments	70,791	60,309	118,411	40,717	290,228
Due from other funds	299,872	123,065	-	57,201	480,138
Prepaid expenditures	107,175	110	-	5,469	112,754
Total assets	<u>9,833,422</u>	<u>1,698,376</u>	<u>118,411</u>	<u>3,169,550</u>	<u>14,819,759</u>
<b>LIABILITIES</b>					
Accounts payable	318,387	87,078	20,614	96,032	522,111
Accrued wages payable	375,301	81,329	-	46,878	503,508
Due to other funds	-	-	39,364	3,343	42,707
Total liabilities	<u>693,688</u>	<u>168,407</u>	<u>59,978</u>	<u>146,253</u>	<u>1,068,326</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-property taxes	1,625,440	-	-	-	1,625,440
Unavailable revenue-court fines	269,789	-	-	17,428	287,217
Total deferred inflows of resources	<u>1,895,229</u>	<u>-</u>	<u>-</u>	<u>17,428</u>	<u>1,912,657</u>
Fund balances					
Nonspendable	107,175	110	-	5,469	112,754
Restricted					
Capital projects	-	-	-	416,722	416,722
Bail bond services	-	-	-	121,561	121,561
Airport maintenance	-	-	-	228,531	228,531
Court technology and security	-	-	-	405,368	405,368
VIT escrow	-	-	-	107,633	107,633
Law library	-	-	-	67,109	67,109
Grants	-	-	58,433	-	58,433
District Attorney services	-	-	-	214,372	214,372
Records management and preservation	-	-	-	107,789	107,789
Other	-	-	-	317,820	317,820
Committed for:					
Jury services	-	-	-	48,889	48,889
Records management	-	-	-	498,685	498,685
Juvenile services	-	-	-	466,632	466,632
Assigned for:					
Subsequent year's budget:					
appropriation of fund balance	291,260	-	-	-	291,260
Road and bridge equipment	-	558,560	-	-	558,560
Capital murder defense	49,266	-	-	-	49,266
Unassigned	<u>6,796,804</u>	<u>971,299</u>	<u>-</u>	<u>( 711)</u>	<u>7,767,392</u>
Total fund balances	<u>7,244,505</u>	<u>1,529,969</u>	<u>58,433</u>	<u>3,005,869</u>	<u>11,838,776</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,833,422</u>	<u>\$ 1,698,376</u>	<u>\$ 118,411</u>	<u>\$ 3,169,550</u>	<u>\$ 14,819,759</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, 2018**

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

Total fund balances of governmental funds	\$ 11,838,776
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,707,247
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.	( 93,378)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Property taxes receivable, net of allowance for uncollectible amounts	1,625,440
Court fines receivable, net of allowance for uncollectible amounts	287,217
Long-term liabilities, including bonds payable, the net pension liability, and the net OPEB liability, are not due and payable in the current period and therefore not reported in the funds.	
Bonds payable	( 2,035,000)
Compensated absences	( 1,271,311)
Interest payable	( 9,935)
Notes payable	( 813,157)
Net pension Liability	( 2,686,509)
Deferred resources related to pensions	( 97,921)
Net OPEB Liability	( 15,829,689)
Deferred resources related to OPEB	<u>641,707</u>
Net position of governmental activities	<u>\$ 11,263,487</u>

**HARRISON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	General	Road and Bridge	County Grant	Other Governmental	Total Governmental Funds
<b>REVENUES</b>					
Ad valorem taxes	\$ 17,324,986	\$ 1,672,496	\$ -	\$ 2,747,672	\$ 21,745,154
Miscellaneous taxes	29,392	-	-	-	29,392
Licenses and permits	66,725	1,017,000	-	1,651	1,085,376
Fines and forfeitures	33,919	889,370	-	6,754	930,043
Intergovernmental	154,386	357,369	120,149	104,421	736,325
Charges for services	2,241,956	15,747	-	966,155	3,223,858
Investment earnings	156,889	16,263	386	36,081	209,619
Miscellaneous	388,598	1,524	-	9,038	399,160
Total revenues	<u>20,396,851</u>	<u>3,969,769</u>	<u>120,535</u>	<u>3,871,772</u>	<u>28,358,927</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General administration	4,317,312	2,364,930	-	816,727	7,498,969
Judicial	1,351,368	-	-	372,873	1,724,241
Legal	1,727,354	-	-	46,098	1,773,452
Elections	246,258	-	-	25,950	272,208
Financial administration	1,543,119	-	-	-	1,543,119
Public facilities	778,283	-	-	-	778,283
Public transportation	-	2,669,452	-	31,064	2,700,516
Public safety	7,587,300	-	101,345	1,163,674	8,852,319
Health and welfare	928,112	-	3,001	-	931,113
Culture and recreation	86,373	-	-	-	86,373
Conservation	172,922	-	-	-	172,922
Public service	101,200	-	-	-	101,200
Capital outlay	272,655	-	-	-	272,655
Debt service:					
Principal	59,768	-	-	454,841	514,609
Interest and other charges	22,663	-	-	36,485	59,148
Total expenditures	<u>19,194,687</u>	<u>5,034,382</u>	<u>104,346</u>	<u>2,947,712</u>	<u>27,281,127</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,202,164</u>	<u>( 1,064,613)</u>	<u>16,189</u>	<u>924,060</u>	<u>1,077,800</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recoveries	52,702	-	-	-	52,702
Sale of capital assets	791	1,446,891	-	-	1,447,682
Transfers in	-	500,306	-	50,000	550,306
Transfers out	( 50,000)	-	-	( 500,306)	( 550,306)
Total other financing sources (uses)	<u>3,493</u>	<u>1,947,197</u>	<u>-</u>	<u>( 450,306)</u>	<u>1,500,384</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,205,657</u>	<u>882,584</u>	<u>16,189</u>	<u>473,754</u>	<u>2,578,184</u>
<b>FUND BALANCES, BEGINNING</b>	<u>6,038,848</u>	<u>647,385</u>	<u>42,244</u>	<u>2,532,115</u>	<u>9,260,592</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 7,244,505</u>	<u>\$ 1,529,969</u>	<u>\$ 58,433</u>	<u>\$ 3,005,869</u>	<u>\$ 11,838,776</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, 2018

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

Net change in fund balances - total governmental funds	\$ 2,578,184
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 depreciation exceeded capital outlay in the current year.	
Capital outlay	\$ 525,876
Depreciation expense	<u>( 1,534,888)</u>
	( 1,009,012)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.	514,607
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds.	71,487
Interest expense on long-term debt and contractual obligations is not accrued in the governmental funds.	4,683
The net effect of various sales and disposals of capital assets is to decrease net position.	( 259,862)
Delinquent property taxes receivable which do not provide current financial resources are not reported as revenue in the funds.	( 188,980)
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.	( 14,687)
Pension and OPEB expenses are not recognized as an expense in governmental funds since they do not require the use of current financial resources. The net effect of the current year's expenses are to decrease net position.	( 432,917)
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.	<u>9,274</u>
Changes in net position of governmental activities	<u>\$ 1,272,777</u>

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**HARRISON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 16,938,654	\$ 17,228,454	\$ 17,324,986	\$ 96,532
Miscellaneous taxes	30,000	30,000	29,392	( 608)
Licenses, permits and fees	103,000	103,000	66,725	( 36,275)
Intergovernmental	220,600	220,600	154,386	( 66,214)
Fines and forfeitures	27,425	27,425	33,919	6,494
Charges for services	2,158,465	2,158,465	2,241,956	83,491
Investment earnings	72,512	72,512	156,889	84,377
Miscellaneous	209,020	338,349	388,598	50,249
Total revenues	19,759,676	20,178,805	20,396,851	218,046
EXPENDITURES				
General administration	4,388,910	4,627,661	4,317,312	310,349
Judicial	1,387,228	1,363,930	1,351,368	12,562
Legal	1,622,333	1,749,743	1,727,354	22,389
Elections	251,884	246,777	246,258	519
Financial administration	1,611,857	1,571,711	1,543,119	28,592
Public facilities	750,848	792,197	778,283	13,914
Public safety	7,443,126	7,604,878	7,587,300	17,578
Health and welfare	1,742,241	1,486,245	928,112	558,133
Culture and recreation	86,910	86,373	86,373	-
Conservation	174,977	173,673	172,922	751
Public service	133,700	128,700	101,200	27,500
Capital outlay	65,400	273,018	272,655	363
Debt service				
Principal	59,768	59,768	59,768	-
Interest and other charges	22,664	22,664	22,663	1
Total expenditures	19,741,846	20,187,338	19,194,687	992,651
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	17,830	( 8,533)	1,202,164	1,210,697
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	23,233	52,702	29,469
Sale of capital assets	25,000	25,000	791	( 24,209)
Transfers out	-	( 50,000)	( 50,000)	-
Total other financing sources (uses)	25,000	( 1,767)	3,493	5,260
NET CHANGE IN FUND BALANCES	42,830	( 10,300)	1,205,657	1,215,957
FUND BALANCES, BEGINNING	6,038,848	6,038,848	6,038,848	-
FUND BALANCES, ENDING	\$ 6,081,678	\$ 6,028,548	\$ 7,244,505	\$ 1,215,957

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, 2018

	Road and Bridge Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,626,812	\$ 1,626,812	\$ 1,672,496	\$ 45,684
Licenses, permits and fees	1,014,700	1,014,700	1,017,000	2,300
Fines and forfeitures	931,000	931,000	889,370	( 41,630)
Intergovernmental	109,000	109,000	357,369	248,369
Charges for services	170,000	170,000	15,747	( 154,253)
Investment earnings	6,000	6,000	16,263	10,263
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>1,524</u>	<u>( 476)</u>
Total revenues	<u>3,859,512</u>	<u>3,859,512</u>	<u>3,969,769</u>	<u>110,257</u>
<b>EXPENDITURES</b>				
General administration	2,480,098	2,477,598	2,364,930	112,668
Public transportation	<u>2,349,975</u>	<u>2,856,057</u>	<u>2,669,452</u>	<u>186,605</u>
Total expenditures	<u>4,830,073</u>	<u>5,333,655</u>	<u>5,034,382</u>	<u>299,273</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 970,561)</u>	<u>( 1,474,143)</u>	<u>( 1,064,613)</u>	<u>409,530</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	1,271,271	1,271,271	1,446,891	175,620
Transfers in	<u>-</u>	<u>-</u>	<u>500,306</u>	<u>500,306</u>
Total other financing sources (uses)	<u>1,271,271</u>	<u>1,271,271</u>	<u>1,947,197</u>	<u>675,926</u>
<b>NET CHANGE IN FUND BALANCES</b>	300,710	( 202,872)	882,584	1,085,456
<b>FUND BALANCES, BEGINNING</b>	<u>647,385</u>	<u>647,385</u>	<u>647,385</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 948,095</u>	<u>\$ 444,513</u>	<u>\$ 1,529,969</u>	<u>\$ 1,085,456</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, 2018**

	County Grant Fund			Variance with
	Budgeted Amounts		Actual	Final Budget
	Original	Final		Positive
				(Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 102,839	\$ 123,378	\$ 120,149	\$ ( 3,229)
Investment earnings	-	-	386	386
Total revenues	<u>102,839</u>	<u>123,378</u>	<u>120,535</u>	<u>( 2,843)</u>
<b>EXPENDITURES</b>				
Legal	13,839	13,839	-	13,839
Public safety	89,000	109,346	101,345	8,001
Health and welfare	-	-	3,001	( 3,001)
Total expenditures	<u>102,839</u>	<u>123,185</u>	<u>104,346</u>	<u>18,839</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	193	16,189	15,996
<b>FUND BALANCES, BEGINNING</b>	<u>42,244</u>	<u>42,244</u>	<u>42,244</u>	-
<b>FUND BALANCES, ENDING</b>	<u>\$ 42,244</u>	<u>\$ 42,437</u>	<u>\$ 58,433</u>	<u>\$ 15,996</u>

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

# HARRISON COUNTY, TEXAS

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

SEPTEMBER 30, 2018

	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 94,295
Accounts receivable	<u>27,341</u>
Total assets	<u>121,636</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>215,014</u>
Total liabilities	<u>215,014</u>
<b>NET POSITION</b>	
Unrestricted	( <u>93,378</u> )
Total net position	<u>\$( 93,378)</u>

**HARRISON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Governmental Activities
	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,281,185
Total operating revenues	<u>3,281,185</u>
<b>OPERATING EXPENSES</b>	
Benefit payments	<u>3,272,044</u>
Total operating expenses	<u>3,272,044</u>
<b>OPERATING GAIN (LOSS)</b>	<u>9,141</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>133</u>
Total nonoperating revenues (expenses)	<u>133</u>
<b>CHANGE IN NET POSITION</b>	9,274
<b>TOTAL NET POSITION, BEGINNING</b>	( <u>102,652</u> )
<b>TOTAL NET POSITION, ENDING</b>	<u><u>\$ ( 93,378)</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, 2018**

	Governmental Activities <u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from premiums and contributions	\$ 3,268,130
Payments for claims	<u>( 3,229,673)</u>
Net cash provided by operating activities	<u>38,457</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>133</u>
Net cash provided by investing activities	<u>133</u>
<b>NET INCREASE IN CASH</b>	38,590
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>55,705</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>94,295</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income	9,141
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in receivables	( 13,055)
Increase (decrease) in payables	<u>42,371</u>
Total adjustments	<u>29,316</u>
Net cash provided by operating activities	<u>\$ 38,457</u>

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



# HARRISON COUNTY, TEXAS

## STATEMENT OF NET POSITION

### FIDUCIARY FUNDS

SEPTEMBER 30, 2018

	<u>Agency Funds</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 7,188,399
Investments	<u>1,723,585</u>
 Total assets	 <u>8,911,984</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	103,435
Due to other governments	1,232,491
Due to other funds	437,431
Unearned revenue	578,110
Court ordered funds	3,876,920
Court ordered trust and prisoner funds	<u>2,683,597</u>
 Total liabilities	 \$ <u>8,911,984</u>

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# **HARRISON COUNTY, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2018**

### **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, 2018. 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 unit 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.

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 Fund Balance**

##### **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, 2018, 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 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.

## 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 uncollectible accounts. 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 estimated to be 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 in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

## 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 net position and/or balance sheet 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 and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- 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 net position and/or balance sheet 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 projected and actual earnings on pension assets – The difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension and OPEB 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 25% 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.

### **Other Post-Employment Benefits (OPEB)**

The County provides eligible employees with certain postemployment health and life insurance benefits that meet the criteria of a defined benefit OPEB plan under Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The County has placed assets in trust to pay the obligations of the plan with the Public Agencies Retirement Services (PARS). Because plan assets are pooled by PARS with those of other plans for investment, the County's plan meets the criteria of an agent multiple-employer plan under GASB Statement No. 75.

The County has not established a formal funding policy. Therefore, for purposes of measuring the net OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the County for benefits due and payable that are not reimbursed by plan assets. Information regarding the County's net OPEB liability is obtained from a report prepared by a consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

## **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**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The Commissioners' Court is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. Commissioners' Court has authorized the County Auditor to assign fund balance. The Court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

## **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 the General, Road and Bridge, and County Grant 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, 2018, are discussed in the Management Discussion and Analysis (MD&A) starting on page 4 of this report.

At year-end, expenditures exceeded appropriations in the Health and Welfare activity (the legal level of budgetary control) of the County Grant Fund by \$3,001. This overage was funded with existing fund balance.

### **Deficit Fund Equity**

At September 30, 2018, the Internal Service Fund and the Debt Service Fund have a deficit net position of \$93,378 and fund balance of \$711, respectively. The County expects future revenues or transfers from the General Fund will eliminate this deficit.

### 3. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

As of September 30, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Total Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
Primary government:		
Texas Term	\$ 4,467,573	87
Texas Class	<u>7,413,764</u>	62
Total Net asset Value	<u>\$ 11,881,337</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.

Texas Term and Texas Class each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

*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, 2018, 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	AAAm	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 \$1,455,340 of primarily U.S. corporate stock and \$391,441 of bond mutual funds at the end of the current fiscal year.

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, 2018, the Authority held the following fair value measurements:

- Equity securities of \$1,792,552 are valued using quoted prices in an active market for identical assets (Level 1 inputs).
- Corporate securities of \$54,229 are valued using a matrix pricing model (Level 2 inputs).

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, 2018, 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>Nonmajor</u>	<u>Internal Service</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 2,394,573	\$ -	\$ -	\$ -	\$ 2,394,573
Accounts receivable	<u>2,235,097</u>	<u>464</u>	<u>13,561</u>	<u>27,341</u>	<u>2,276,463</u>
Total receivables	<u>4,629,670</u>	<u>464</u>	<u>13,561</u>	<u>27,341</u>	<u>4,671,036</u>
Less: allowance for uncollectibles	<u>2,715,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,715,803</u>
Net total receivables	<u>\$ 1,913,867</u>	<u>\$ 464</u>	<u>\$ 13,561</u>	<u>\$ 27,341</u>	<u>\$ 1,955,233</u>

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

### **Capital Assets**

Capital asset activity for governmental activities for the year ended September 30, 2018, was as follows:

#### **Primary Government**

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 612,174	\$ -	\$ 381,570	\$ 993,744
Construction in progress	147,405	-	-	147,405
Total assets not being depreciated	<u>759,579</u>	<u>-</u>	<u>381,570</u>	<u>1,141,149</u>
Capital assets, being depreciated:				
Buildings and improvements	22,918,505	149,102	97,280	23,164,887
Autos and trucks	4,928,087	239,505	( 289,253)	4,878,339
Heavy equipment	3,387,951	148,061	7,655	3,543,667
Equipment, furniture and fixtures	1,127,592	7,180	-	1,134,772
Infrastructure	11,550,836	-	( 12,200)	11,538,636
Total capital assets being depreciated	<u>43,912,971</u>	<u>543,848</u>	<u>( 196,518)</u>	<u>44,260,301</u>
Less accumulated depreciation:				
Buildings and improvements	7,187,666	729,179	97,280	8,014,125
Autos and trucks	3,737,086	288,655	( 205,590)	3,820,151
Heavy equipment	2,256,441	234,142	( 76,008)	2,414,575
Equipment, furniture and fixtures	903,237	43,445	17,712	964,394
Infrastructure	10,241,491	239,467	-	10,480,958
Total accumulated depreciation	<u>24,325,921</u>	<u>1,534,888</u>	<u>( 166,606)</u>	<u>25,694,203</u>
Total capital assets being depreciated, net	<u>19,587,050</u>	<u>( 991,040)</u>	<u>( 29,912)</u>	<u>18,566,098</u>
Governmental activities capital assets, net	<u>\$ 20,346,629</u>	<u>\$ ( 991,040)</u>	<u>\$ 351,658</u>	<u>\$ 19,707,247</u>

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

<b>Governmental activities:</b>	
General administration	\$ 3,992
Judicial	1,856
Legal	6,848
Elections	2,291
Financial administration	2,743
Public safety	557,062
Public transportation	592,304
Health and welfare	870
Culture and recreation	13,786
Preservation and restoration	350,821
Conservation	<u>2,315</u>
Total depreciation expense	<u>\$ 1,534,888</u>

## **Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2018, is as follows:

### **Due to/from Other Funds**

	Payable fund		
	Other Governmental	Agency	Total
Receivable fund:			
General	\$ 42,707	\$ 257,165	\$ 299,872
Road and Bridge	-	123,065	123,065
Other Governmental	-	57,201	57,201
Total	\$ 42,707	\$ 437,431	\$ 480,138

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**

	Transfer in:		
	Other Governmental	Road and Bridge	Total
Transfer out:			
General	\$ 50,000	\$ -	\$ 50,000
Other governmental	-	500,306	500,306
Total	\$ 50,000	\$ 500,306	\$ 550,306

## **Operating Leases**

The County leases road maintenance and other heavy equipment under noncancelable operating leases. Total costs were \$489,602 for the year. The future minimum lease payments for active operating leases are as follows:

Year Ending September 30,	Amount
2019	\$ 125,117
2020	162,271
2021	33,611
Total	\$ 320,999

## **Long-term Debt**

### **Schedule of Contractual Obligations**

Series and Original Issue Amount		Final Maturity	Interest Rate	Outstanding 09/30/2018
General Obligation Refunding - 2016	\$ 2,830,000	02/15/23	1.47%	\$ 2,035,000
Secured Equipment - Note #xxxx009	1,050,000	09/25/28	3.03%	708,581
Secured Equipment - Note #xxxx010	188,631	11/27/19	3.19%	58,252
Secured Equipment - Note #xxxx011	150,007	04/29/20	3.19%	<u>46,324</u>
Total				\$ <u>2,848,157</u>

***Harrison County, Texas General Obligation Refunding Bonds, Series 2016*** – During the year ended September 30, 2018, 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.



## Long-term Liabilities Activity

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation debt	\$ 2,440,000	\$ -	\$ 405,000	\$ 2,035,000	\$ 395,000
Notes payable	922,764	-	109,607	813,157	113,060
Compensated absences	<u>1,256,624</u>	<u>176,048</u>	<u>161,361</u>	<u>1,271,311</u>	<u>317,828</u>
	<u>\$ 4,619,388</u>	<u>\$ 176,048</u>	<u>\$ 675,968</u>	<u>\$ 4,119,468</u>	<u>\$ 825,888</u>

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

	Principal	Interest	Total
General obligation debt	\$ 2,035,000	\$ 75,439	\$ 2,110,439
Notes payable	<u>813,157</u>	<u>120,833</u>	<u>933,990</u>
	<u>\$ 2,848,157</u>	<u>\$ 196,272</u>	<u>\$ 3,044,429</u>

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

Year Ending September 30,	Principal	Interest	Total
2019	\$ 508,060	\$ 50,500	\$ 558,560
2020	526,617	41,547	568,164
2021	460,448	32,323	492,771
2022	477,458	24,575	502,033
2023	494,531	16,215	510,746
2024-2028	<u>381,043</u>	<u>31,112</u>	<u>412,155</u>
Total	<u>\$ 2,848,157</u>	<u>\$ 196,272</u>	<u>\$ 3,044,429</u>

## 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, 2018. 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 2018 have been reported as expenditures in the General Fund and Special Revenue Funds.

During the year ended September 30, 2018, 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 2018. 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, 2018. 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
09/30/2018	\$ 172,643	\$ 3,263,112	\$( 3,220,741)	\$ 215,014
09/30/2017	172,140	2,727,711	( 2,727,208)	172,643
09/30/2016	309,016	3,381,025	( 3,517,901)	172,140

### **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.

### **Tax Abatements**

The County enters into economic development agreements designed to promote development and redevelopment within the County, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the County. This program reduces the assessed property values as authorized under Chapter 312 of the Texas Tax Code.

The County has entered into an agreement to reduce property taxes. The agreement calls for a reduction of taxable property values on incremental values of 80% to 25% over 7 years. The agreement requires the developer to make capital improvements of at least \$10,500,001 and maintain an initial job creation requirement. For fiscal year 2018, the County abated property taxes of \$30,402.

### **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. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

### ***Employees covered by benefit terms***

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	213
Inactive employees entitled to but not yet receiving benefits	237
Active employees	<u>326</u>
	<u><u>776</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 11.16% and 11.60% in calendar years 2017 and 2018, respectively. The County's contributions to TCDRS for the year ended September 30, 2018, were \$1,351,689, and were equal to the required contributions.

### **Net Pension Liability**

The County's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	3.25% per year
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

The County does not have automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

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

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

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016.

The long-term expected rate of return on pension plan investments is 8.00%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2018 information for a 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major 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>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

<sup>(1)</sup> Target asset allocation adopted at the April 2018 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 1.95% per Cliffwater's 2018 capital market assumptions.

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

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

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

## ***Discount Rate***

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

### ***Changes in the Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 58,031,182	\$ 51,973,583	\$ 6,057,599
Changes for the year:			
Service cost	1,563,380	-	1,563,380
Interest on total pension liability <sup>(1)</sup>	4,697,492	-	4,697,492
Effect of economic/demographic gains or losses	( 194,367)	-	( 194,367)
Effect of assumptions changes or inputs	224,501	-	224,501
Refund of contributions	( 241,166)	( 241,166)	-
Benefit payments	( 3,024,100)	( 3,024,100)	-
Administrative expenses	-	( 38,818)	38,818
Member contributions	-	827,933	( 827,933)
Net investment income	-	7,568,357	( 7,568,357)
Employer contributions	-	1,319,964	( 1,319,964)
Other <sup>(2)</sup>	-	( 15,340)	15,340
Balance at 12/31/2017	<u>\$ 61,056,922</u>	<u>\$ 58,370,413</u>	<u>\$ 2,686,509</u>

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

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

### ***Sensitivity Analysis***

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

	1% Decrease	Current	1% Increase
	7.1%	Discount Rate	9.1%
		8.1%	
Total pension liability	\$ 68,304,909	\$ 61,056,922	\$ 54,902,481
Fiduciary net position	<u>58,370,411</u>	<u>58,370,413</u>	<u>58,370,411</u>
Net pension liability/(asset)	<u>\$ 9,934,498</u>	<u>\$ 2,686,509</u>	<u>\$ ( 3,467,930)</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, 2018, the County recognized pension expense of \$1,415,755. At September 30, 2018, 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	\$ 501,899	\$ -
Changes in actuarial assumptions	-	306,925
Difference between projected and actual investment earnings	901,967	-
Contributions subsequent to the measurement date	-	999,020
Total	<u>\$ 1,403,866</u>	<u>\$ 1,305,945</u>

\$999,020 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, 2019. 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,	
2019	\$ 198,191
2020	( 1,685)
2021	( 612,443)
2022	( 681,004)
	<u>\$( 1,096,941)</u>

## **Post-retirement Health Care Benefits**

### **Plan Description**

The County provides certain health care benefits through an agent, multiple-employer defined benefit OPEB plan. Qualifying, full-time employees are eligible to participate in the County's health care plan as a retiree. A qualifying employee is an individual with eight years of service at the County and hired prior to January 24, 2011.

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.



## Benefits Provided

Retirees are eligible for medical, dental, vision, and prescription insurance until they become Medicare eligible. Retirees are also eligible for a \$20,000 life insurance policy. Once Medicare eligible, retirees are eligible for dental, vision, and life insurance only. At that time, the County medical plan will no longer be available. The County supplements 70% of the premium to all retirees who either (1) retire after the age of 65 or (2) are covered pre-Medicare in the retiree medical program. Spouses of retirees will receive the County supplement if they have been on the plan for one year prior to retirement.

In the event that an active employee passes away, the spouse and dependents will become eligible for retiree coverage if (1) the employee was eligible for retirement as defined by the Texas County & District Retirement System; and (2) the employee had dependent coverage at the time of death. Coverage will continue under the plan as long as monthly retiree premiums are paid by the specified due date, until dependents are no longer considered eligible dependents as defined by the plan, until the covered dependent becomes Medicare eligible, or until a surviving spouse remarries.

For the fiscal year ended September 30, 2018, the County's contributions to the plan were \$984,636, which exceeded benefit payments of \$744,307.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	109
Active members	<u>133</u>
Total	<u><u>242</u></u>

## Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2016
Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	6.85%
Inflation Rate	2.50%
Salary Increases	0.40% to 5.25%, not including inflation
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2016 as conducted for the Texas County and District Retirement System (TCDRS)
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. The rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.
Participation Rates	90% for retirees who are at least 65 years old at retirement and 95% for retirees who are younger than 65 years old at retirement
Health care cost trend rates	Initial rates of 7.50% declining to an ultimate rate of 4.25% after 15 years.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

There is no separately issued audited benefit plan report available for the County's OPEB plan.

### Discount Rate

A Single Discount Rate of 6.85% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2017.

The asset portfolio of the OPEB trust can support a 6.85% long term rate of return. Because the plan is closed to new entrants, the plan's assets are never depleted in the projection used to determine the single discount rate.

### Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.85%) in measuring the net OPEB liability.

	1% Decrease 5.85%	Current Single Discount Rate Assumption 6.85%	1% Increase 7.85%
County's net OPEB liability	\$ 17,759,927	\$ 15,829,689	\$ 14,196,819

### Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the net OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
County's net OPEB liability	\$ 13,911,800	\$ 15,829,689	\$ 18,144,945

## OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2018, the County reported a liability of \$15,829,689 for its net OPEB liability. The net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Update procedures were used to roll forward the total OPEB liability to December 31, 2017. For the year ended September 30, 2018, the County recognized OPEB expense of \$1,353,488. There were no changes of benefit terms that affected measurement of the net OPEB liability during the measurement period.

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at 12/31/2016	\$ 16,493,155	\$ 1,167,414	\$ 15,325,741
Changes for the year:			
Service cost	337,003	-	337,003
Interest on the total OPEB liability	1,115,831	-	1,115,831
Difference between expected and actual experience	( 56,174)	-	( 56,174)
Employer contributions	-	744,307	( 744,307)
Net investment income	-	155,511	( 155,511)
Benefit payments	( 744,307)	( 744,307)	-
Administrative expense	-	( 7,106)	7,106
Net changes	652,353	148,405	503,948
Balance at 12/31/2017	\$ 17,145,508	\$ 1,315,819	\$ 15,829,689

At September 30, 2018, the County reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 105,233	\$ -
Contributions subsequent to the measurement date	-	746,940
Total	\$ 105,233	\$ 746,940

\$746,940 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the County paid with own assets and will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30,		
2019	\$	26,728
2020		26,728
2021		26,728
2022		25,049
	\$	<u>105,233</u>

### **Related Party Transactions**

During the 2018 fiscal year, the County received paid plumbing services from a relative of a member of the Commissioners Court. Total payments to the vendor for the fiscal year were \$39,723.

### **Prior Period Adjustment**

During fiscal year 2018, the County adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. With GASB 75, the County must assume its net OPEB liability in connection with its OPEB benefits to employees. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position for governmental activities was increased by \$219,486. In addition, adjustments to capital assets resulted in an increase to beginning net position of \$381,830 in the governmental activities. The net increase to beginning net position of governmental activities was \$601,316.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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# HARRISON COUNTY, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date December 31,	2014	2015	2016	2017
<b>Total Pension Liability</b>				
Service Cost	\$ 1,413,572	\$ 1,447,843	\$ 1,635,005	\$ 1,563,380
Interest total pension liability	4,023,176	4,221,571	4,444,871	4,697,492
Effect of plan changes	-	( 250,766)	-	-
Effect of assumption changes or inputs	-	554,196	-	224,501
Effect of economic/demographic (gains) or losses	( 424,782)	( 207,963)	( 608,266)	( 194,367)
Benefit payments/refunds of contributions	( 2,531,118)	( 2,933,129)	( 2,969,767)	( 3,265,266)
Net change in total pension liability	2,480,848	2,831,752	2,501,843	3,025,740
Total pension liability - beginning	<u>50,216,739</u>	<u>52,697,587</u>	<u>55,529,339</u>	<u>58,031,182</u>
Total pension liability - ending (a)	<u>\$ 52,697,587</u>	<u>\$ 55,529,339</u>	<u>\$ 58,031,182</u>	<u>\$ 61,056,922</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 1,350,827	\$ 1,417,241	\$ 1,388,058	\$ 1,319,964
Member contributions	780,821	822,612	815,136	827,933
Investment income net of investment expenses	3,275,031	235,303	3,655,330	7,568,357
Benefit payments refunds of contributions	( 2,531,117)	( 2,933,128)	( 2,969,767)	( 3,265,266)
Administrative expenses	( 37,419)	( 35,707)	( 39,736)	( 38,818)
Other	( 274,959)	64,983	( 324,397)	( 15,340)
Net change in plan fiduciary net position	2,563,184	( 428,696)	2,524,624	6,396,830
Plan fiduciary net position - beginning	<u>47,314,471</u>	<u>49,877,655</u>	<u>49,448,959</u>	<u>51,973,583</u>
Plan fiduciary net position - ending (b)	<u>\$ 49,877,655</u>	<u>\$ 49,448,959</u>	<u>\$ 51,973,583</u>	<u>\$ 58,370,413</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,819,932</u>	<u>\$ 6,080,380</u>	<u>\$ 6,057,599</u>	<u>\$ 2,686,509</u>
Fiduciary net position as a percentage of total pension liability	94.65%	89.05%	89.56%	95.60%
Pensionable covered payroll	\$ 11,154,589	\$ 11,751,604	\$ 11,644,794	\$ 11,827,612
Net pension liability as a percentage of covered payroll	25.28%	51.74%	52.02%	22.71%

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 PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

<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	\$ 1,350,827	\$ 1,350,827	\$ -	\$ 11,154,589	12.1%
2015	1,417,241	1,417,241	-	11,751,604	12.1%
2016	1,385,853	1,385,853	-	11,589,728	12.0%
2017	1,344,892	1,344,892	-	11,835,281	11.4%
2018	1,351,689	1,351,689	-	11,772,354	11.5%

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, 2018**

<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>	11.8 years (based on contribution rate calculated in 12/31/2017 valuation)
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career including inflation.
<b>Investment Rate of Return</b>	8.0%, net of administrative and investment expenses, including inflation.
<b>Retirement Age</b>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<b>Mortality</b>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
<b>Changes in Assumptions and Methods Reflected in the Schedule</b>	2015: New inflation, mortality and other assumptions were reflected.
	2017: New mortality assumptions were reflected.
<b>Changes in Plan Provisions Reflected in the Schedule</b>	2015 & 2016: No changes in plan provisions were reflected in the Schedule.
	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

**HARRISON COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY**  
**AND RELATED RATIOS**  
**POST-RETIREMENT HEALTH CARE BENEFIT PLAN**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<b>Measurement Date December 31,</b>	<b><u>2017</u></b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 337,003
Interest on the total OPEB liability	1,115,831
Difference between expected and actual experience	( 56,174)
Benefit payments	( 744,307)
Net change in total OPEB liability	652,353
Total OPEB liability - beginning	<u>16,493,155</u>
Total OPEB liability - ending (a)	<u><u>\$ 17,145,508</u></u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 744,307
Net investment income	155,511
Benefit payments	( 744,307)
Administrative expenses	<u>( 7,106)</u>
Net change in plan fiduciary net position	148,405
Plan fiduciary net position - beginning	<u>1,167,414</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,315,819</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 15,829,689</u></u>
Fiduciary net position as a percentage of total OPEB liability	7.67%
Covered-employee payroll	\$ 4,609,267
Net OPEB liability as a percentage of covered-employee payroll	343.43%

**Notes to Schedule:**

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. As of September 30, 2018, only 1 year is included. Additional years will be added in the future as the information becomes available.

**COMBINING AND INDIVIDUAL  
FUND FINANCIAL STATEMENTS**

# HARRISON COUNTY, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL REVENUE FUNDS

SEPTEMBER 30, 2018

	Special Revenue				
	Jury	Bail Bond Board	Drug Forfeitures	Permanent School Fund	Airport Maintenance
<b>ASSETS</b>					
Cash and cash equivalents	\$ 54,273	\$ 121,561	\$ 12,235	\$ 109,842	\$ 244,060
Receivables:					
Accounts receivable	-	-	-	-	2,141
Due from other governments	9,928	-	-	-	-
Due from other funds	1,042	-	-	-	-
Prepaid expenditures	-	-	-	-	5,469
Total assets	<u>65,243</u>	<u>121,561</u>	<u>12,235</u>	<u>\$ 109,842</u>	<u>251,670</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable	-	-	-	-	17,670
Accrued wages payable	6,426	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>6,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,670</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-court fines	<u>9,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>9,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	5,469
Restricted	-	121,561	12,235	109,842	228,531
Committed	48,889	-	-	-	-
Unassigned	-	-	-	-	-
Total fund equity	<u>48,889</u>	<u>121,561</u>	<u>12,235</u>	<u>109,842</u>	<u>234,000</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 65,243</u>	<u>\$ 121,561</u>	<u>\$ 12,235</u>	<u>\$ 109,842</u>	<u>\$ 251,670</u>

Special Revenue							
Tax Collector VIT	Justice Technology	Law Library	Juvenile Services	Records Management	Security	District Attorney Special	District Court Technology
\$ 107,633	\$ 214,537	\$ 67,991	\$ 470,464	\$ 480,679	\$ 86,405	\$ 221,762	\$ 41,053
-	-	-	80	-	-	500	-
-	-	-	30,789	-	-	-	-
-	2,284	2,521	2,875	29,736	3,995	-	368
-	-	-	-	-	-	-	-
<u>107,633</u>	<u>216,821</u>	<u>70,512</u>	<u>504,208</u>	<u>510,415</u>	<u>90,400</u>	<u>222,262</u>	<u>41,421</u>
-	1,042	3,188	-	11,730	-	390	-
-	-	215	37,576	-	2,661	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>1,042</u>	<u>3,403</u>	<u>37,576</u>	<u>11,730</u>	<u>2,661</u>	<u>390</u>	<u>-</u>
-	-	-	-	-	-	7,500	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>-</u>
-	-	-	-	-	-	-	-
107,633	215,779	67,109	-	-	87,739	214,372	41,421
-	-	-	466,632	498,685	-	-	-
-	-	-	-	-	-	-	-
<u>107,633</u>	<u>215,779</u>	<u>67,109</u>	<u>466,632</u>	<u>498,685</u>	<u>87,739</u>	<u>214,372</u>	<u>41,421</u>
<u>\$ 107,633</u>	<u>\$ 216,821</u>	<u>\$ 70,512</u>	<u>\$ 504,208</u>	<u>\$ 510,415</u>	<u>\$ 90,400</u>	<u>\$ 222,262</u>	<u>\$ 41,421</u>

# HARRISON COUNTY, TEXAS

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL REVENUE FUNDS

SEPTEMBER 30, 2018

	Special Revenue				
	County Court Technology	Case Manager	District Clerk Preservation	County Clerk Preservation	6th Court of Appeal
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,813	\$ 55,207	\$ 71,867	\$ 35,295	\$ 912
Receivables:					
Accounts receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	137	2,272	357	270	365
Prepaid expenditures	-	-	-	-	-
Total assets	<u>2,950</u>	<u>57,479</u>	<u>72,224</u>	<u>35,565</u>	<u>1,277</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable	-	-	-	-	1,270
Accrued wages payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,270</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue-court fines	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	2,950	57,479	72,224	35,565	7
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund equity	<u>2,950</u>	<u>57,479</u>	<u>72,224</u>	<u>35,565</u>	<u>7</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,950</u>	<u>\$ 57,479</u>	<u>\$ 72,224</u>	<u>\$ 35,565</u>	<u>\$ 1,277</u>



Special Revenue						
Vital Archive Fee	Election Contracts	Court Initiated Guardianship	Youth Enrichment	Debt Service	Capital Projects	Totals
\$ 5,682	\$ 43,773	\$ 37,815	\$ 96,130	\$ -	\$ 470,613	\$ 3,052,602
-	10,840	-	-	-	-	13,561
-	-	-	-	-	-	40,717
234	-	340	6,422	2,632	1,351	57,201
-	-	-	-	-	-	5,469
<u>5,916</u>	<u>54,613</u>	<u>38,155</u>	<u>102,552</u>	<u>2,632</u>	<u>471,964</u>	<u>3,169,550</u>
-	-	-	5,500	-	55,242	96,032
-	-	-	-	-	-	46,878
-	-	-	-	3,343	-	3,343
-	-	-	5,500	3,343	55,242	146,253
-	-	-	-	-	-	17,428
-	-	-	-	-	-	17,428
-	-	-	-	-	-	5,469
5,916	54,613	38,155	97,052	-	416,722	1,986,905
-	-	-	-	-	-	1,014,206
-	-	-	-	( 711)	-	( 711)
<u>5,916</u>	<u>54,613</u>	<u>38,155</u>	<u>97,052</u>	<u>( 711)</u>	<u>416,722</u>	<u>3,005,869</u>
<u>\$ 5,916</u>	<u>\$ 54,613</u>	<u>\$ 38,155</u>	<u>\$ 102,552</u>	<u>\$ 2,632</u>	<u>\$ 471,964</u>	<u>\$ 3,169,550</u>

# HARRISON COUNTY, TEXAS

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

### NONMAJOR GOVERNMENTAL REVENUE FUNDS

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue				
	Jury	Bail Bond Board	Drug Forfeitures	Permanent School Fund	Airport Maintenance
<b>REVENUES</b>					
Ad valorem taxes	\$ 206,347	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	1,651	-	-	-
Intergovernmental	9,316	-	4,127	-	-
Charges for services	5,474	-	-	-	142,941
Fines and forfeitures	-	-	-	-	-
Investment earnings	1,478	449	50	-	3,856
Miscellaneous	-	-	-	4,309	4,729
Total revenues	<u>222,615</u>	<u>2,100</u>	<u>4,177</u>	<u>4,309</u>	<u>151,526</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General administration	-	-	-	-	105,066
Judicial	206,210	-	-	-	-
Legal	-	-	-	-	-
Elections	-	-	-	-	-
Public safety	129	-	4,800	-	-
Public transportation	-	-	-	-	31,064
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	<u>206,339</u>	<u>-</u>	<u>4,800</u>	<u>-</u>	<u>136,130</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>16,276</u>	<u>2,100</u>	<u>( 623)</u>	<u>4,309</u>	<u>15,396</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	16,276	2,100	( 623)	4,309	15,396
<b>FUND BALANCE, BEGINNING</b>	<u>32,613</u>	<u>119,461</u>	<u>12,858</u>	<u>105,533</u>	<u>218,604</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 48,889</u>	<u>\$ 121,561</u>	<u>\$ 12,235</u>	<u>\$ 109,842</u>	<u>\$ 234,000</u>

Special Revenue							
Tax Collector VIT	Justice Technology	Law Library	Juvenile Services	Records Management	Security	District Attorney Special	District Court Technology
\$ -	\$ -	\$ -	\$ 1,049,111	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	28,208	-	-	22,500	-
10,545	26,318	36,606	186,347	341,601	49,927	15,774	6,787
-	-	-	-	-	-	6,754	-
1,200	3,600	1,175	6,692	8,575	284	1,894	136
-	-	-	-	-	-	-	-
<u>11,745</u>	<u>29,918</u>	<u>37,781</u>	<u>1,270,358</u>	<u>350,176</u>	<u>50,211</u>	<u>46,922</u>	<u>6,923</u>
3,466	9,548	5,761	-	295,884	-	-	-
-	-	35,333	-	28,089	83,586	-	-
-	-	-	-	-	-	45,204	-
-	-	-	-	-	-	-	-
-	8,269	-	1,150,476	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,466</u>	<u>17,817</u>	<u>41,094</u>	<u>1,150,476</u>	<u>323,973</u>	<u>83,586</u>	<u>45,204</u>	<u>-</u>
<u>8,279</u>	<u>12,101</u>	<u>( 3,313)</u>	<u>119,882</u>	<u>26,203</u>	<u>( 33,375)</u>	<u>1,718</u>	<u>6,923</u>
-	-	-	-	-	50,000	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	50,000	-	-
8,279	12,101	( 3,313)	119,882	26,203	16,625	1,718	6,923
<u>99,354</u>	<u>203,678</u>	<u>70,422</u>	<u>346,750</u>	<u>472,482</u>	<u>71,114</u>	<u>212,654</u>	<u>34,498</u>
<u>\$ 107,633</u>	<u>\$ 215,779</u>	<u>\$ 67,109</u>	<u>\$ 466,632</u>	<u>\$ 498,685</u>	<u>\$ 87,739</u>	<u>\$ 214,372</u>	<u>\$ 41,421</u>

# HARRISON COUNTY, TEXAS

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

### NONMAJOR GOVERNMENTAL REVENUE FUNDS

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue				
	County Court Technology	Case Manager	District Clerk Preservation	County Clerk Preservation	6th Court of Appeal
<b>REVENUES</b>					
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	1,786	28,509	6,072	3,360	-
Fines and forfeitures	-	-	-	-	-
Investment earnings	16	176	259	133	-
Miscellaneous	-	-	-	-	-
Total revenues	<u>1,802</u>	<u>28,685</u>	<u>6,331</u>	<u>3,493</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current expenditures:					
General administration	2,035	-	-	-	-
Judicial	-	7,703	-	1,952	-
Legal	-	-	-	-	894
Elections	-	-	-	-	-
Public safety	-	-	-	-	-
Public transportation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	<u>2,035</u>	<u>7,703</u>	<u>-</u>	<u>1,952</u>	<u>894</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 233)</u>	<u>20,982</u>	<u>6,331</u>	<u>1,541</u>	<u>( 894)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 233)</u>	<u>20,982</u>	<u>6,331</u>	<u>1,541</u>	<u>( 894)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>3,183</u>	<u>36,497</u>	<u>65,893</u>	<u>34,024</u>	<u>901</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,950</u>	<u>\$ 57,479</u>	<u>\$ 72,224</u>	<u>\$ 35,565</u>	<u>\$ 7</u>

Special Revenue						
Vital Archive Fees	Election Contracts	Court Initiated Guardianship	Youth Enrichment	Debt Service	Capital Projects	Totals
\$ -	\$ -	\$ -	\$ -	\$ 986,121	\$ 506,093	\$ 2,747,672
-	-	-	-	-	-	1,651
-	40,270	-	-	-	-	104,421
3,791	1,810	4,629	93,878	-	-	966,155
-	-	-	-	-	-	6,754
52	115	135	287	228	5,291	36,081
-	-	-	-	-	-	9,038
<u>3,843</u>	<u>42,195</u>	<u>4,764</u>	<u>94,165</u>	<u>986,349</u>	<u>511,384</u>	<u>3,871,772</u>
-	-	-	76,922	401	317,644	816,727
10,000	-	-	-	-	-	372,873
-	-	-	-	-	-	46,098
-	25,950	-	-	-	-	25,950
-	-	-	-	-	-	1,163,674
-	-	-	-	-	-	31,064
-	-	-	-	454,841	-	454,841
-	-	-	-	36,485	-	36,485
<u>10,000</u>	<u>25,950</u>	<u>-</u>	<u>76,922</u>	<u>491,727</u>	<u>317,644</u>	<u>2,947,712</u>
( 6,157)	16,245	4,764	17,243	494,622	193,740	924,060
-	-	-	-	-	-	50,000
-	-	-	-	( 500,306)	-	( 500,306)
-	-	-	-	( 500,306)	-	( 450,306)
( 6,157)	16,245	4,764	17,243	( 5,684)	193,740	473,754
<u>12,073</u>	<u>38,368</u>	<u>33,391</u>	<u>79,809</u>	<u>4,973</u>	<u>222,982</u>	<u>2,532,115</u>
<u>\$ 5,916</u>	<u>\$ 54,613</u>	<u>\$ 38,155</u>	<u>\$ 97,052</u>	<u>\$ ( 711)</u>	<u>\$ 416,722</u>	<u>\$ 3,005,869</u>

# HARRISON COUNTY, TEXAS

## COMBINING STATEMENT OF ASSETS AND LIABILITIES

### AGENCY FUNDS

SEPTEMBER 30, 2018

	<u>County Treasurer</u>	<u>County Clerk</u>	<u>District Attorney</u>	<u>District Clerk</u>	<u>Justices of the Peace</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 569,415	\$ 557,031	\$ 38,037	\$ 3,406,237	\$ 155,623
Investments	<u>-</u>	<u>276,275</u>	<u>-</u>	<u>1,447,310</u>	<u>-</u>
Total assets	<u>569,415</u>	<u>833,306</u>	<u>38,037</u>	<u>4,853,547</u>	<u>155,623</u>
<b>LIABILITIES</b>					
Accounts payable	-	1,341	38,037	2,395	882
Due to other governments	569,415	4,579	-	45,945	57,958
Due to other funds	-	63,823	-	23,369	90,283
Unearned revenue	-	-	-	-	-
Court ordered funds	-	487,288	-	3,334,528	6,500
Court ordered trust and prisoner funds	<u>-</u>	<u>276,275</u>	<u>-</u>	<u>1,447,310</u>	<u>-</u>
Total liabilities	<u>\$ 569,415</u>	<u>\$ 833,306</u>	<u>\$ 38,037</u>	<u>\$ 4,853,547</u>	<u>\$ 155,623</u>

Juvenile Center	Sheriff	Tax Assessor- Collector	Fines Collection	Cafeteria Plan	Adult Probation	Juvenile Probation	Totals
\$ 652	\$ 533,665	\$ 1,012,061	\$ 29,252	\$ 32,904	\$ 48,604	\$ 804,918	\$ 7,188,399
-	-	-	-	-	-	-	1,723,585
<u>652</u>	<u>533,665</u>	<u>1,012,061</u>	<u>29,252</u>	<u>32,904</u>	<u>48,604</u>	<u>804,918</u>	<u>8,911,984</u>
-	3,297	20,120	955	32,904	-	3,504	103,435
40	-	547,829	6,725	-	-	-	1,232,491
612	10	237,762	21,572	-	-	-	437,431
-	336,553	206,350	-	-	-	35,207	578,110
-	-	-	-	-	48,604	-	3,876,920
-	193,805	-	-	-	-	766,207	2,683,597
<u>\$ 652</u>	<u>\$ 533,665</u>	<u>\$ 1,012,061</u>	<u>\$ 29,252</u>	<u>\$ 32,904</u>	<u>\$ 48,604</u>	<u>\$ 804,918</u>	<u>\$ 8,911,984</u>

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**INTERNAL CONTROL  
AND COMPLIANCE SECTION**

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**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 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, 2018, and the related notes to the financial statements, which collectively comprise Harrison County, Texas' basic financial statements, and have issued our report thereon dated June 10, 2019.

***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 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. We did identify certain deficiencies in internal control as described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items 2018-001 and 2017-001.

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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*.

## **Harrison County, Texas' Response to Findings**

Harrison County, Texas' response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Harrison County, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

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

Waco, Texas  
June 10, 2019

## **HARRISON COUNTY, TEXAS**

### **SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

#### **Item 2018-001**

<u>Criteria:</u>	Bank reconciliations are performed to make sure that the cash balance on the general ledger is recorded at the proper amount. These reconciliations assist in finding errors that effect cash on the County's general ledger or errors made by the bank.
<u>Condition:</u>	With the Treasurer Main bank account having a general ledger balance of greater than \$3 million in cash, the reconciliation process is key in making sure the cash balances are correct.
<u>Cause:</u>	The County Treasurer's office was not performing the reconciliations on the Treasurer Main account on a timely basis. There are other employees in the Treasurer's office that have not been adequately trained to reconcile the bank account when the treasurer is not able to.
<u>Recommendation:</u>	The County should have a standard deadline for making sure that all County bank accounts have been reconciled. Their deadlines should be confirmed with Court and any deviations from these deadlines should be discussed with the County Auditor or the Commissioner's Court. The other employees in the office should also be trained to perform the reconciliation duties.
<u>Management's Response:</u>	The reconciliations were up to date as of May 31, 2019. They will be monitored on an ongoing basis to make sure they are being performed on a timely basis.
<u>Contact Person Responsible For Corrective Action:</u>	Harrison County Treasurer and County Auditor.
<u>Current Status:</u>	This matter has been resolved.

## HARRISON COUNTY, TEXAS

### SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

**Item 2017-001**

Criteria: Bank reconciliations are performed to make sure that the cash balance on the general ledger is recorded at the proper amount. These reconciliations assist in finding errors that effect cash on the County's general ledger or errors made by the bank.

Condition: With the Treasurer Main bank account having a general ledger balance of greater than \$3 million in cash, the reconciliation process is key in making sure the cash balances are correct.

Cause: The County Treasurer's office was not performing the reconciliations on the Treasurer Main account on a timely basis. There are other employees in the Treasurer's office that have not been adequately trained to reconcile the bank account when the treasurer is not able to.

Recommendation: The County should have a standard deadline for making sure that all County bank accounts have been reconciled. Their deadlines should be confirmed with Court and any deviations from these deadlines should be discussed with the County Auditor or the Commissioner's Court. The other employees in the office should also be trained to perform the reconciliation duties.

Management's Response: Commissioner's Court will approve a schedule detailing when the monthly reconciliations will be completed. Periodic updates will be provided to Commissioners' Court during the timeframe the reconciliations are being completed.

Contact Person Responsible  
For Corrective Action:

Harrison County Treasurer and County Auditor.

Anticipated Completion  
Date:

May 2019

Current Status:

This matter has been resolved.