HARRISON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022

HARRISON COUNTY, TEXAS

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SEPTEMBER 30, 2022

COMPLIANCE SECTION

PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge
and County Commissioners
Harrison County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund financial of Harrison County, Texas (the "County"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 the County as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary information for the General Fund, Road and Bridge Special Revenue Fund, and County Grant Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Waco, Texas
June 29, 2023

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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, 2022. 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 $28,265,420. This is an increase of $6,305,308 or 28.4% compared to the prior year. The increase was primarily caused by an increase in property tax revenues.

- Total net position are comprised of: 1) net investment in capital assets, of $18,613,948, including property and equipment, net of accumulated depreciation; 2) amounts restricted by debt covenants, grantors, or statute of $3,015,898; and 3) the County's unrestricted net position at year-end, which is a deficit balance of $6,635,574

- Total governmental long-term debt of the County decreased by $943,653 due to scheduled payments exceeding the issuance of new leases.

- The unassigned fund balance in the General Fund, as shown in the fund financial statements, is $11,899,917 or 51.7% 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. 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 are $21,736,820. This amount is net of accumulated depreciation of $18,561,730. 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 $28,265,420; a total of $3,015,898 is restricted for specific purposes, as required by state law or grantor requirements; $18,613,948 represents the County's net investment in capital assets, and $6,635,574 is unrestricted net position that is available for funding general operations. Unrestricted net position increased by $16,375,299, total assets increased $13,827,475, and total net position increased by $6,305,308. The County also has deferred outflows in the amount of $3,927,078 and deferred inflows in the amount of $12,698,990, both of which are exclusively related to pensions and OPEB.

HARRISON COUNTY'S NET POSITION

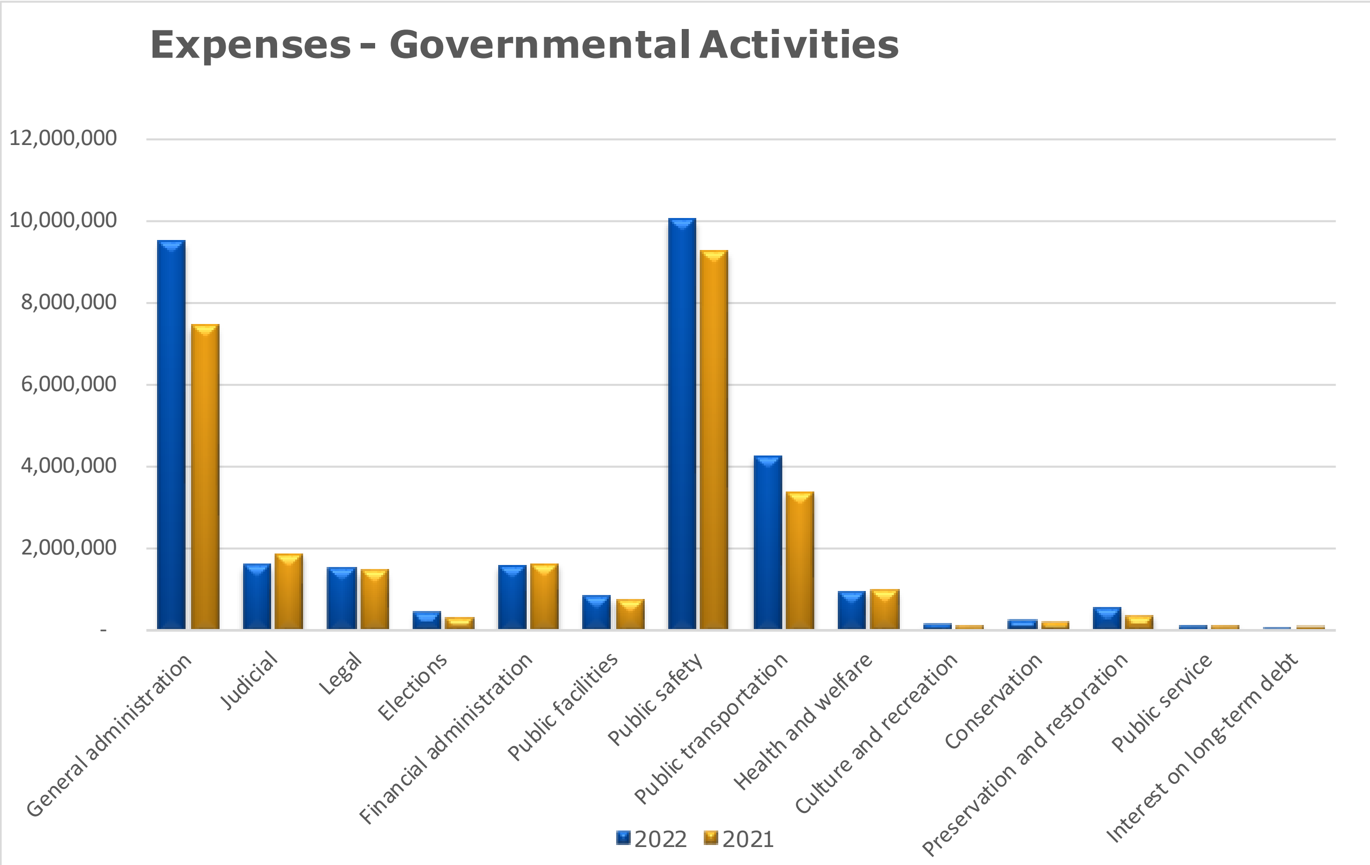
	Governmental Activities	
	2022	2021
Current and other assets	$ 42,842,633	$ 30,891,181
Capital assets	21,736,820	19,860,797
Total assets	64,579,453	50,751,978
Deferred outflows of resources	3,927,078	5,071,560
Current liabilities	11,037,508	7,948,292
Noncurrent liabilities	16,504,613	19,528,492
Total liabilities	27,542,121	27,476,784
Deferred inflows of resources	12,698,990	6,148,351
Net position:		
Net investment in capital assets	18,613,948	17,138,881
Restricted	3,015,898	3,198,733
Unrestricted	6,635,574	1,860,789
Total net position	$ 28,265,420	$ 22,198,403

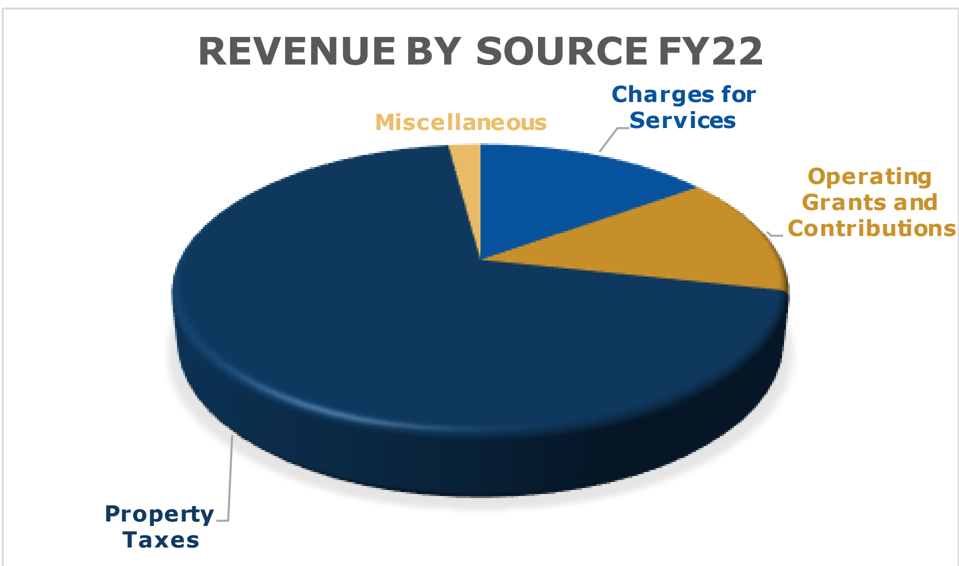
Revenues and expenses can be generally categorized by the function performing the activity. General revenues are available to cover the expenses of activities that do not generate sufficient program revenues. Total revenue for governmental activities was $37,932,448. Total governmental expenses were $31,627,140 resulting in an increase in net position of $6,305,308. More details about the increase are discussed in the Financial Analysis of the County Funds.

HARRISON COUNTY'S CHANGES IN NET POSITION

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	$ 5,622,454	$ 5,255,828
Operating grants and contributions	5,081,381	1,917,849
Capital grants and contributions	-	207,160
General revenues:		
Property taxes	26,223,270	24,557,991
Investment earnings	365,137	323,718
Gain on sale of assets	280,697	315,470
Miscellaneous	359,509	501,253
Total revenues	37,932,448	33,079,269
Expenses:		
General administration	9,510,078	7,772,248
Judicial	1,594,934	1,720,509
Legal	1,492,206	1,316,254
Elections	408,673	990,281
Financial administration	1,572,423	1,560,275
Public facilities	812,616	783,537
Public safety	10,048,804	10,948,922
Public transportation	4,251,261	2,396,526
Health and welfare	937,158	958,917
Culture and recreation	131,784	119,857
Conservation	218,008	171,167
Preservation and restoration	534,405	338,517
Public service	103,586	30,200
Interest on long-term debt	11,204	111,234
Total expenses	31,627,140	29,218,444
Change in net position	6,305,308	3,860,825
Net position - beginning	22,198,403	18,337,578
Change in accounting principle	(238,291)	-
Net position - ending	$ 28,265,420	$ 22,198,403

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.


Expenses - Governmental Activities
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
General administration
Judicial
Legal
Elections
Financial administration
Public facilities
Public safety
Public transportation
Health and welfare
Culture and recreation
Conservation
Preservation and restoration
Public service
Interest on long-term debt
2022
2021


REVENUE BY SOURCE FY22
Charges for Services
Miscellaneous
Operating Grants and Contributions
Property Taxes

HARRISON COUNTY'S GOVERNMENTAL ACTIVITIES

	Charges for Services 2022	% of Total	Functional Expenses 2022	Percent of Total	Funded by Other Revenues Amount	Funded by Other Revenues Percent
General administration	$ 2,372,041	6.3%	$ 9,510,078	30.1%	$(7,138,037)	(75.1%)
Judicial	1,063,222	2.8%	1,594,934	5.0%	(531,712)	(33.3%)
Legal	6,833	0.0%	1,492,206	4.7%	(1,485,373)	(99.5%)
Elections	10,314	0.0%	408,673	1.3%	(398,359)	(97.5%)
Financial administration	1,043,107	2.7%	1,572,423	5.0%	(529,316)	(33.7%)
Public facilities	-	- %	812,616	2.6%	(812,616)	(100.0%)
Public safety	510,387	1.3%	10,048,804	31.8%	(9,538,417)	(94.9%)
Public transportation	616,550	1.6%	4,251,261	13.4%	(3,634,711)	(85.5%)
Health and welfare	-	- %	937,158	3.0%	(937,158)	(100.0%)
Culture and recreation	-	- %	131,784	0.4%	(131,784)	(100.0%)
Conservation	-	- %	218,008	0.7%	(218,008)	(100.0%)
Preservation and restoration	-	- %	534,405	1.7%	(534,405)	(100.0%)
Public service	-	- %	103,586	0.3%	(103,586)	(100.0%)
Interest on long-term debt	-	- %	11,204	0.0%	(11,204)	(100.0%)
Total	5,622,454	14.8%	$ 31,627,140	100.0%	(26,004,686)	
OPERATING GRANTS AND CONTRIBUTIONS	5,081,381	13.4%			5,081,381	
GENERAL REVENUES	27,228,613	71.8%			27,228,613	
TOTAL REVENUES	$ 37,932,448	100.0%				
CHANGE IN NET POSITION					$ 6,305,308	

Capital Assets and Debt Administration

Capital Assets **–** Net capital assets increased by approximately $1,876,023 primarily due to grant-funded construction and the purchase of various new assets. These purchases exceeded depreciation expense as well as the disposals of capital assets. Key transactions involving capital assets included construction on new County facilities of $2.1 million and the addition of 8 new leased vehicles totaling approximately $395,000.

HARRISON COUNTY'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities 2022	Governmental Activities 2021
Land, buildings and improvements	$ 14,687,708	$ 15,453,048
Construction in progress	2,150,743	-
Right to use - vehicles	1,315,098	1,477,520
Autos and trucks	370,805	657,435
Heavy equipment	2,676,167	1,487,010
Other equipment, furniture and fixtures	235,660	315,708
Infrastructure	300,639	470,076
Total capital assets, net	$ 21,736,820	$ 19,860,797

Outstanding Debt

The table below reports the outstanding balances of debt for 2022 and 2021 for governmental activities. The County's balance in general obligation debt and notes payable decreased compared to the prior year, due to scheduled payments being greater than the amounts issued.

The County issued approximately $400 thousand of new leases during fiscal year 2022 for fleet vehicles. Conversely, bonded debt continues to decrease, and the last bond issuance made final payment in the current year. 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	
	2022	2021
General obligation debt	$ -	$ 835,000
Financed purchases	1,806,702	2,072,032
Leases	1,316,170	1,476,093
Compensated absences	1,648,886	1,478,983
Total long-term debt	$ 4,771,758	$ 5,862,108

FINANCIAL ANALYSIS OF THE COUNTY FUNDS

Governmental Funds

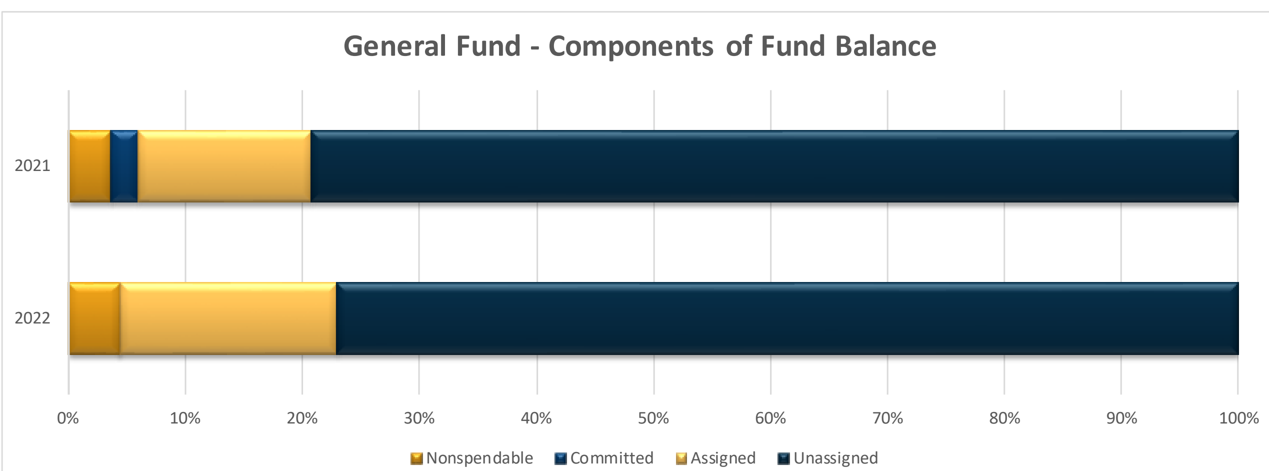
The governmental fund statements include the General Fund, Road and Bridge Fund, and County Grant Fund, which comprise the County's major funds and all other governmental funds combined. These statements focus on short-term transactions and the impact they have on financial resources for future financial requirements. The total fund balances at year-end for all governmental funds are $22,240,685, an increase of $1,097,170 from the prior year. This represented a 5.2% increase in total fund balances. This increase was mainly in the General Fund, due to increase in property tax and intergovernmental revenues.

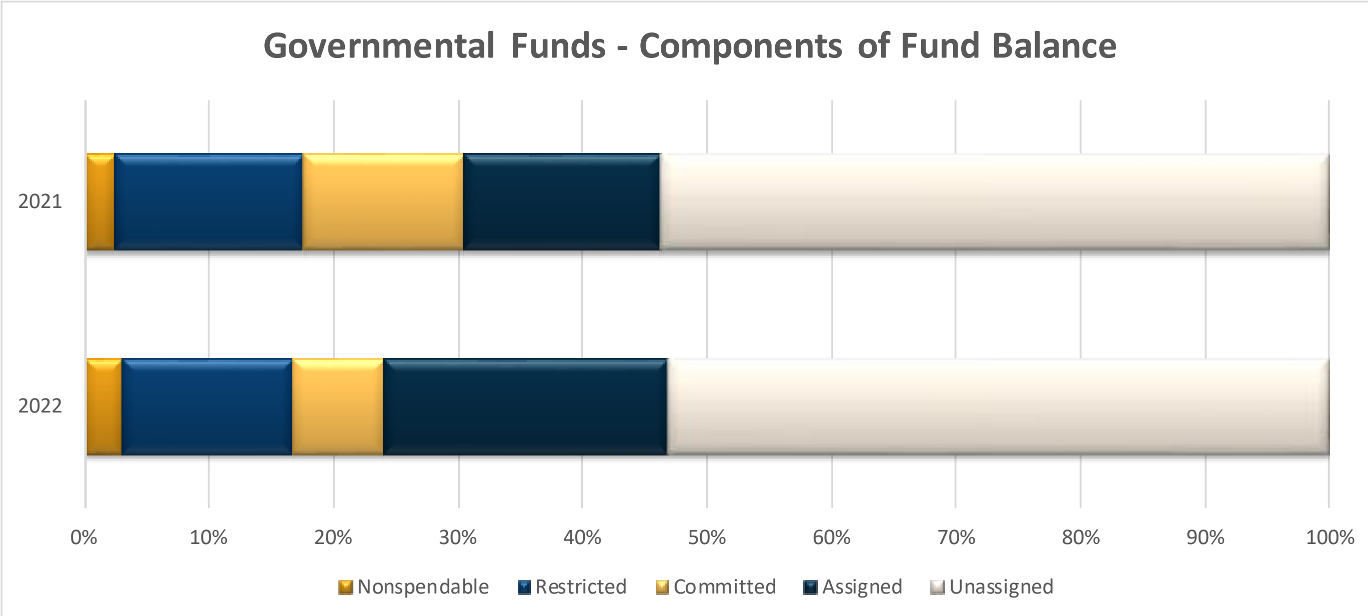
The General Fund is the primary day-to-day operating fund that finances services such as the courts and law enforcement. Approximately 85.8% of the revenue to support these services is generated by ad valorem taxes. General Fund operations resulted in an increase in fund balance of $1,292,688. The ending fund balance of $15,454,671 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 9.1% over prior year's 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 $512,239 . The increase was caused by increased property tax revenues as well as cost savings in current expenditures compared to budget.

The County Grant Fund increased its fund balance by $91,468 to a deficit of $72,478 at year-end. This resulted from certain grant revenues being recognized for costs spent in the prior year. Many of the grants administered through this fund, primarily the American Rescue Plan Act, are reimbursement-based where revenues equal expenditures. Thus, large fund balances are not expected over time.

All other governmental funds are combined to form the nonmajor governmental fund category. Combined fund balances decreased by $799,225.





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's fund balance increased slightly but remained relatively flat, as management budgets charges to funds intending to just cover claims paid for the year.

Budgetary Highlights

Budgetary statements of revenues, expenditures, and changes in fund balance for the General Fund and Road and Bridge 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 expenditures to exceed revenues by $1,592,965. 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 $907,725.

The original Road and Bridge Fund budget planned for expenditures to exceed revenues by $123,459. However, actual expenditures were $483,261 less than what was budgeted.

BUDGET FOR 2022 – 2023 AND LATER

For the FY 2023, the County adopted a property tax rate of $.3110 per hundred dollars of taxable value. Harrison County adopted a deficit fund balance to use excess fund balance accumulated from prior years.

The County has three lease-purchase programs in which the County sells back old motorgraders, dump trucks and vehicles then acquires new ones. The lease program for the motorgraders occurs every three years and is ongoing capital management program. The lease program for the dump trucks is a thirteen-month lease. The lease program for the vehicles is a four-year lease program. 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

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BASIC FINANCIAL STATEMENTS

HARRISON COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Primary Government	Component Unit
	Governmental Activities	Industrial Development Authority
ASSETS		
Cash and cash equivalents	$ 31,621,924	495,253
Investments	-	2,253,088
Receivables, net:		
Property taxes	1,803,767	-
Accounts receivable	473,098	-
Leases	921,713	-
Due from other governments	140,589	-
Due from custodial funds	443,900	-
Prepaid items	676,494	-
Net pension asset	6,761,148	-
Capital assets:		
Nondepreciable	3,175,090	-
Depreciable, net of accumulated depreciation	18,561,730	-
Total capital assets	21,736,820	-
Total assets	64,579,453	2,748,341
DEFERRED OUTFLOWS OF RESOURCES		
Related to pensions	3,131,070	-
Related to OPEB	796,008	-
Total deferred outflows of resources	3,927,078	-
LIABILITIES		
Accounts payable	1,941,058	-
Accrued wages payable	303,911	-
Accrued interest payable	10,590	-
Unearned revenue	8,781,949	-
Noncurrent liabilities:		
Due within one year:		
Long-term Debt	1,271,884	-
Net OPEB liability	579,930	-
Due in more than one year:		
Long-term Debt	3,499,874	-
Net OPEB liability	11,152,925	-
Total liabilities	27,542,121	-
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	9,972,269	-
Related to OPEB	1,804,908	-
Related to leases	921,813	-
Total deferred inflows of resources	12,698,990	-
NET POSITION		
Net investment in capital assets	18,613,948	-
Restricted for:		
Debt service	286,368	-
Capital projects	1,049,220	-
Special purposes	1,680,310	-
Unrestricted	6,635,574	2,748,341
Total net position	$ 28,265,420	2,748,341

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

HARRISON COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Program Revenues		Changes Net Position: Primary Government	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Industrial Development Authority
PRIMARY GOVERNMENT					
General administration	$ 9,510,078	$ 2,372,041	$ 4,173,399	$(2,964,638)	$ -
Judicial	1,594,934	1,063,222	38,130	(493,582)	-
Legal	1,492,206	6,833	91,231	(1,394,142)	-
Elections	408,673	10,314	4,505	(393,854)	-
Financial administration	1,572,423	1,043,107	-	(529,316)	-
Public facilities	812,616	-	59,000	(753,616)	-
Public safety	10,048,804	510,387	506,881	(9,031,536)	-
Public transportation	4,251,261	616,550	108,893	(3,525,818)	-
Health and welfare	937,158	-	44,794	(892,364)	-
Culture and recreation	131,784	-	-	(131,784)	-
Conservation	218,008	-	17,008	(201,000)	-
Preservation and restoration	534,405	-	-	(534,405)	-
Public service	103,586	-	37,540	(66,046)	-
Interest and other charges	11,204	-	-	(11,204)	-
Total primary government governmental activities	31,627,140	5,622,454	5,081,381	(20,923,305)	-
COMPONENT UNIT					
Industrial Development Authority	$ 26,240	$ -	$ -	-	(26,425)
General revenues:					
Property taxes				26,183,084	-
Miscellaneous taxes				40,186	-
Investment earnings				365,137	(121,571)
Gain on sale of assets				280,697	-
Miscellaneous				359,509	-
Total general revenues				27,228,613	(121,571)
Change in net position				6,305,308	(147,996)
Net position, beginning				22,198,403	2,896,337
Change in accounting principle				(238,291)	-
Net position, beginning - restated				21,960,112	2,896,337
Net position, ending				$ 28,265,420	$ 2,748,341

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

HARRISON COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

		Special Revenue			Total
	General	Road and Bridge	County Grant Fund	Other Governmental	Governmental Funds
ASSETS					
Cash and cash equivalents	$ 15,168,194	$ 2,495,392	$ 8,908,592	$ 4,869,661	$ 31,441,839
Receivables, net					
Property taxes	1,803,767	-	-	-	1,803,767
Accounts receivable	249,949	61	-	179,768	429,778
Leases receivable	-	-	-	921,713	921,713
Due from other governments	52,232	15,995	36,353	36,009	140,589
Due from other funds	228,392	192,052	-	98,216	518,660
Prepaid items	676,494	-	-	-	676,494
Total assets	18,179,028	2,703,500	8,944,945	6,105,367	35,932,840
LIABILITIES					
Accounts payable	460,514	483,695	235,974	472,860	1,653,043
Accrued wages payable	231,904	45,806	-	26,201	303,911
Unearned revenue	500	-	8,781,449	-	8,781,949
Due to other funds	74,760	-	-	-	74,760
Total liabilities	767,678	529,501	9,017,423	499,061	10,813,663
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	1,741,605	-	-	-	1,741,605
Unavailable revenue-court fines	215,074	-	-	-	215,074
Related to leases	-	-	-	921,813	921,813
Total deferred inflows of resources	1,956,679	-	-	921,813	2,878,492
FUND BALANCES					
Nonspendable - prepaid items	676,494	-	-	-	676,494
Restricted					
Debt service	-	-	-	296,958	296,958
Capital projects	-	-	-	1,049,220	1,049,220
Bail bond services	-	-	-	230,156	230,156
Airport maintenance	-	-	-	317,424	317,424
Court technology and security	-	-	-	356,779	356,779
VIT escrow	-	-	-	152,006	152,006
Law library	-	-	-	54,028	54,028
District Attorney services	-	-	-	197,805	197,805
Records management and preservation	-	-	-	151,846	151,846
Other	-	-	-	220,266	220,266
Committed for:					
Jury services	-	-	-	167,258	167,258
Records management	-	-	-	927,192	927,192
Juvenile services	-	-	-	563,555	563,555
Assigned for:					
Subsequent year's budget:					
appropriation of fund balance	2,828,494	-	-	-	2,828,494
Road and bridge maintenance	-	2,173,999	-	-	2,173,999
Capital murder defense	49,766	-	-	-	49,766
Unassigned	11,899,917	-	(72,478)	-	11,827,439
Total fund balances	15,454,671	2,173,999	(72,478)	4,684,493	22,240,685
Total liabilities, deferred inflows of resources, and fund balances	$ 18,179,028	$ 2,703,500	$ 8,944,945	$ 6,105,367	$ 35,932,840

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

SEPTEMBER 30, 2022

Total fund balances of governmental funds	$ 22,240,685
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,736,820
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.	(64,610)
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	1,741,605
Court fines receivable, net of allowance for uncollectible amounts	215,074
Long-term liabilities, including bonds payable, the net pension asset, and the net OPEB liability, are not due and payable in the current period and therefore not reported in the funds.	
Compensated absences	(1,648,886)
Interest payable	(10,590)
Financed purchases payable	(1,806,702)
Leases payable	(1,316,170)
Net pension asset	6,761,148
Deferred resources related to pensions	(6,841,199)
Net OPEB Liability	(11,732,855)
Deferred resources related to OPEB	(1,008,900)
Net position of governmental activities	$ 28,265,420

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

HARRISON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

		Special Revenue			Total
	General	Road and Bridge	County Grant Fund	Other Governmental	Governmental Funds
REVENUES					
Ad valorem taxes	$ 20,491,341	$ 3,903,147	$ -	$ 1,708,931	$ 26,103,419
Miscellaneous taxes	40,186	-	-	-	40,186
Licenses and permits	99,475	1,042,412	-	1,590	1,143,477
Fines and forfeitures	11,943	735,576	-	852	748,371
Intergovernmental	146,416	108,893	4,337,119	153,182	4,745,610
Charges for services	2,501,648	522,085	-	1,086,321	4,110,054
Investment earnings	252,180	47,296	21,247	42,740	363,463
Miscellaneous	332,693	-	-	26,816	359,509
Total revenues	23,875,882	6,359,409	4,358,366	3,020,432	37,614,089
EXPENDITURES					
Current expenditures:					
General administration	4,942,034	2,587,769	1,534,355	1,162,636	10,226,794
Judicial	1,638,865	-	-	467,457	2,106,322
Legal	1,579,103	-	36,502	58,011	1,673,616
Elections	348,935	-	-	64,476	413,411
Financial administration	1,801,590	-	-	-	1,801,590
Public facilities	902,196	-	-	-	902,196
Public transportation	-	2,891,510	488,892	31,167	3,411,569
Public safety	9,563,229	-	29,422	1,398,235	10,990,886
Health and welfare	968,230	-	-	-	968,230
Culture and recreation	112,437	-	-	-	112,437
Conservation	191,677	-	20,928	-	212,605
Public service	103,586	-	-	-	103,586
Capital outlay	444,819	83,000	2,156,799	-	2,684,618
Debt service:					
Principal	428,249	316,093	-	909,460	1,653,802
Interest and other charges	5,006	32,184	-	19,069	56,259
Total expenditures	23,029,956	5,910,556	4,266,898	4,110,511	37,317,921
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	845,926	448,853	91,468	(1,090,079)	296,168
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	20,743	3,238	-	190,016	213,997
Leases issued	444,819	-	-	-	444,819
Sale of capital assets	56,200	60,148	-	25,838	142,186
Transfers in	-	-	-	75,000	75,000
Transfers out	(75,000)	-	-	-	(75,000)
Total other financing sources (uses)	446,762	63,386	-	290,854	801,002
NET CHANGE IN FUND BALANCES	1,292,688	512,239	91,468	(799,225)	1,097,170
FUND BALANCES, BEGINNING	14,161,983	1,661,760	(163,946)	5,483,718	21,143,515
FUND BALANCES, ENDING	$ 15,454,671	$ 2,173,999	$(72,478)	$ 4,684,493	$ 22,240,685

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

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net change in fund balances - total governmental funds		$ 1,097,170
Amounts reported for governmental activities in the statement of net position are different because:		
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	$ 2,832,425	
Depreciation expense	(2,252,564)	
		579,861
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		1,653,802
The issuance of debt has no effect on the governmental funds.		(444,819)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds.		
Property taxes		79,665
Court fines and fees		18,770
Grants		(62,447)
Interest expense on long-term debt and contractual obligations is not accrued in the governmental funds.		45,055
The net effect of various sales and disposals of capital assets is to decrease net position.		(75,486)
The change 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.		(169,903)
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.		3,582,578
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.		1,062
Changes in net position of governmental activities		$ 6,305,308

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

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Ad valorem taxes	$ 19,677,229	$ 19,677,229	$ 20,491,341	$ 814,112
Miscellaneous taxes	25,000	25,000	40,186	15,186
Licenses, permits and fees	98,000	98,000	99,475	1,475
Intergovernmental	105,600	105,600	146,416	40,816
Fines and forfeitures	13,250	13,250	11,943	(1,307)
Charges for services	2,066,350	2,066,350	2,501,648	435,298
Investment earnings	252,655	252,655	252,180	(475)
Miscellaneous	223,000	223,000	332,693	109,693
Total revenues	22,461,084	22,461,084	23,875,882	1,414,798
EXPENDITURES				
Current:				
General administration	5,004,372	5,307,286	4,942,034	365,252
Judicial	1,681,731	1,678,773	1,638,865	39,908
Legal	1,917,656	1,903,839	1,579,103	324,736
Elections	338,247	346,141	348,935	(2,794)
Financial administration	1,856,979	1,854,625	1,801,590	53,035
Public facilities	895,889	900,366	902,196	(1,830)
Public safety	10,047,016	9,801,460	9,563,229	238,231
Health and welfare	1,887,303	1,442,100	968,230	473,870
Culture and recreation	112,500	112,500	112,437	63
Conservation	190,356	191,731	191,677	54
Public service	122,000	203,586	103,586	100,000
Capital outlay	-	786,112	444,819	341,293
Debt service:				
Principal	-	428,249	428,249	-
Interest and other charges	-	5,006	5,006	-
Total expenditures	24,054,049	24,961,774	23,029,956	1,931,818
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,592,965)	(2,500,690)	845,926	3,346,616
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	40,000	40,000	20,743	(19,257)
Leases issued	-	444,819	444,819	-
Sale of capital assets	10,000	10,000	56,200	46,200
Transfers out	(1,805,000)	(1,805,000)	(75,000)	1,730,000
Total other financing sources (uses)	(1,755,000)	(1,310,181)	446,762	1,756,943
NET CHANGE IN FUND BALANCES	(3,347,965)	(3,810,871)	1,292,688	5,103,559
FUND BALANCES, BEGINNING	14,161,983	14,161,983	14,161,983	-
FUND BALANCES, ENDING	$ 10,814,018	$ 10,351,112	$ 15,454,671	$ 5,103,559

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, 2022

	Road and Bridge Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Ad valorem taxes	$ 3,750,431	$ 3,750,431	$ 3,903,147	$ 152,716
Licenses, permits and fees	1,007,100	1,007,100	1,042,412	35,312
Fines and forfeitures	723,000	723,000	735,576	12,576
Intergovernmental	94,000	94,000	108,893	14,893
Charges for services	120,000	120,000	522,085	402,085
Investment earnings	6,000	6,000	47,296	41,296
Miscellaneous	2,000	2,000	-	(2,000)
Total revenues	5,702,531	5,702,531	6,359,409	656,878
EXPENDITURES				
Current:				
General administration	2,771,665	2,769,807	2,587,769	182,038
Public transportation	2,964,325	3,192,733	2,891,510	301,223
Capital Outlay	100,000	83,000	83,000	-
Debt Service				
Principal	-	316,093	316,093	-
Interest and other charges	-	32,184	32,184	-
Total expenditures	5,835,990	6,393,817	5,910,556	483,261
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(133,459)	(691,286)	448,853	1,140,139
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	-	-	3,238	3,238
Sale of capital assets	10,000	10,000	60,148	50,148
Total other financing sources (uses)	10,000	10,000	63,386	53,386
NET CHANGE IN FUND BALANCES	(123,459)	(681,286)	512,239	1,193,525
FUND BALANCES, BEGINNING	1,661,760	1,661,760	1,661,760	-
FUND BALANCES, ENDING	$ 1,538,301	$ 980,474	$ 2,173,999	$ 1,193,525

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, 2022

	County Grant Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$ 6,515,189	$ 6,567,282	$ 4,337,119	$(2,230,163)
Investment earnings	-	-	21,247	21,247
Total revenues	6,515,189	6,567,282	4,358,366	(2,208,916)
EXPENDITURES				
Current:				
General administration	6,464,000	3,793,488	1,534,355	2,259,133
Legal	28,619	28,619	36,502	(7,883)
Public transportation	-	495,512	488,892	6,620
Public safety	4,500	31,593	29,422	2,171
Conservation	-	20,928	20,928	-
Capital outlay	-	2,200,000	2,156,799	43,201
Total expenditures	6,497,119	6,570,140	4,266,898	2,303,242
NET CHANGE IN FUND BALANCES	18,070	(2,858)	91,468	94,326
FUND BALANCES, BEGINNING	(163,946)	(163,946)	(163,946)	-
FUND BALANCES, ENDING	$(145,876)	$(166,804)	$(72,478)	$ 94,326

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

HARRISON COUNTY, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2022

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 180,085
Accounts receivable	43,320
Total assets	223,405
LIABILITIES	
Current liabilities:	
Accounts payable	288,015
Total liabilities	288,015
NET POSITION	
Unrestricted	(64,610)
Total net position	$(64,610)

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

HARRISON COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 3,444,379
Total operating revenues	3,444,379
OPERATING EXPENSES	
Benefit payments	3,444,991
Total operating expenses	3,444,991
OPERATING GAIN (LOSS)	(612)
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,674
Total nonoperating revenues (expenses)	1,674
CHANGE IN NET POSITION	1,062
TOTAL NET POSITION, BEGINNING	(65,672)
TOTAL NET POSITION, ENDING	$(64,610)

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

HARRISON COUNTY, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from premiums and contributions	$ 3,431,001
Payments for claims	(3,369,540)
Net cash provided (used) by operating activities	61,461
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	1,674
Net cash provided (used) by investing activities	1,674
NET INCREASE (DECREASE) IN CASH	63,135
CASH AND CASH EQUIVALENTS, BEGINNING	116,950
CASH AND CASH EQUIVALENTS, ENDING	180,085
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	(612)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in receivables	(13,378)
Increase (decrease) in payables	75,451
Total adjustments	62,073
Net cash provided (used) by operating activities	$ 61,461

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

HARRISON COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2022

	Custodial Funds
ASSETS	
Current assets:	
Cash and cash equivalents	$ 9,947,453
Investments	979,183
Total assets	10,926,636
LIABILITIES	
Current liabilities:	
Accounts payable	114,353
Due to other governments	1,219,083
Due to other funds	443,900
Court ordered funds	63,831
Court ordered trust and prisoner funds	5,366
Total liabilities	1,846,533
NET POSITION	
Restricted for individuals, organizations and other governments	9,080,103
Total fiduciary net position	$ 9,080,103

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

HARRISON COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Custodial Funds
ADDITIONS	
Taxes/fees collected on behalf of other governments	$ 52,012,518
Fines collected on behalf of other governments	3,015,382
Contribution from other contracting entities	2,131,994
Bonds held	325,507
Civil registry received	2,244,646
Total additions	59,730,047
DEDUCTIONS	
Taxes/fees collected on behalf of state comptroller	50,651,159
Disbursements of fines/fees	4,096,917
Disbursements on behalf of contracting entities	2,206,946
Bonds disbursed	80,589
Civil registry disbursed	1,528,736
Total deductions	58,564,347
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	1,165,700
FIDUCIARY NET POSITION, BEGINNING	7,914,403
FIDUCIARY NET POSITION, ENDING	$ 9,080,103

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

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, 2022. 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. <u>Measurement Focus, Basis of Accounting and Financial Statement Presentation</u>

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 ***<u>General Fund</u>*** 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 ***<u>Road and Bridge Fund</u>*** 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 ***<u>County Grant Fund</u>*** is a Special Revenue Fund used to account for activities related to federal, state and local grants received by the County.

Additionally, the County reports the following governmental fund types:

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

The ***<u>Debt Service Funds</u>*** 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 custodial fund category. Custodial funds utilize the economic resources measurement focus and the accrual basis of accounting.

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, 2022, 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
Leased right to use - intangible	3-5

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 assets 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 assets 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.

- The County recognizes deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

- Difference in projected and actual earnings on pension and OPEB 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.

Leases

The County has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The County uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The County is a lessee for noncancellable leases of vehicles and equipment. The County recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor. The County is a lessor for airport hangars at the County-owned airport. In both the government-wide financial statements and the governmental fund financial statements, the County initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

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 full-time 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.

Unearned Revenue

Unearned revenue represents amounts received from grantors or customers for which the eligibility or performance obligations have not yet been met as of yearend.

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 asset, 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 recognized in the period that compensation is reported for the employee, which is when 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.

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, 2022, are discussed in the Management's Discussion and Analysis (MD&A) starting on page 4 of this report.

Deficit Fund Balance/Net Position

As of September 30, 2022, the Internal Service Fund reported a deficit net position of $64,610. This resulted from accruals related to claims payable that occurred after budgeted transfers from other funds had been set. The deficit will be funded in future years by increased charges to other funds.

Additionally, the County Grant Fund, a major special revenue fund, reported a deficit ending fund balance of $72,478. This deficit resulted from incurring grant expenditures before the related reimbursement is recognized and will be funded by future intergovernmental revenues.

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2022, the County had the following investments, which are classified as cash equivalents:

Investment Type	Total Net Asset Value	Weighted Average Maturity (Days)
Primary government:		
Texas Class	1,058,194	82
Total Net asset Value	$ 1,058,194	

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 Class has 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, 2022, 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:

Investment Type	Rating	Rating Agency
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 $2,253,088 of primarily U.S. corporate stock 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, 2022, the Authority held the following fair value measurements:

- Equity securities of $2,253,088 are valued using quoted prices in an active market for identical assets (Level 1 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, 2022, for the County's individual major funds and aggregate nonmajor funds, including the applicable allowance for uncollectibles, were as follows:

	General	Road and Bridge	Nonmajor Governmental	Internal Service	Total
Receivables:					
Property taxes	$ 2,557,941	$ -	$ -	$ -	$ 2,557,941
Accounts receivable	2,185,617	1,034	58,419	29,942	2,275,012
Leases	-	-	921,713	-	921,713
Total receivables	4,743,558	1,034	980,132	29,942	5,754,666
Less: allowance for uncollectibles	2,689,842	-	-	-	2,689,842
Net total receivables	$ 2,053,716	$ 1,034	$ 980,132	$ 29,942	$ 3,064,824

Leases Receivable. The County has entered into multiple lease agreements as lessor for hangar space at the County-owned airport. During fiscal year 2022, there were 18 active agreements with annual payments ranging from $288 to $2,261. The agreements cover terms ending from 2023 to 2057 with imputed interest rates ranging from 0.3% to 1.4%. For the year ended September 30, 2022, the County recognized lease revenue of $15,454.

Capital Assets

Capital asset activity for governmental activities for the year ended September 30, 2022, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 993,744	$ 30,603	$ -	$ 1,024,347
Construction in progress	-	2,156,799	(6,056)	2,150,743
Total assets not being depreciated	993,744	2,187,402	(6,056)	3,175,090
Capital assets, being depreciated:				
Buildings and improvements	25,345,699	-	(106,349)	25,239,350
Autos and trucks	3,783,894	83,000	(922,730)	2,944,164
Heavy equipment	6,261,156	136,147	(19,980)	6,377,323
Equipment, furniture and fixtures	1,417,039	5,700	(178,945)	1,243,794
Infrastructure	11,528,836	-	(6,820)	11,522,016
Right to use - vehicles	1,424,823	446,246	-	1,871,069
Total capital assets being depreciated	49,761,447	671,093	(1,234,824)	49,197,716
Less accumulated depreciation:				
Buildings and improvements	10,886,395	795,943	(106,349)	11,575,989
Autos and trucks	3,256,114	179,877	(862,632)	2,573,359
Heavy equipment	3,220,146	500,990	(19,980)	3,701,156
Equipment, furniture and fixtures	1,101,331	53,834	(147,031)	1,008,134
Infrastructure	11,058,760	162,617	-	11,221,377
Right to use - vehicles	-	555,971	-	555,971
Total accumulated depreciation	29,522,746	2,249,232	(1,135,992)	30,635,986
Total capital assets being depreciated, net	20,238,701	(1,578,139)	(98,832)	18,561,730
Governmental activities capital assets, net	$ 21,232,445	$ 609,263	$(104,888)	$ 21,736,820

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

Governmental activities:	
General administration	$ 52,026
Judicial	1,830
Legal	314
Elections	2,592
Financial administration	3,902
Public safety	763,164
Public transportation	866,940
Health and welfare	1,373
Culture and recreation	19,347
Preservation and restoration	534,405
Conservation	3,339
Total depreciation expense	$ 2,249,232

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2022, is as follows:

Due to/from Other Funds

	Payable fund		
	General	Custodial Funds	Total
Receivable fund:			
General	$ -	$ 228,392	$ 228,392
Road and Bridge	43,047	149,005	192,052
Other Governmental	31,713	66,503	98,216
Total	$ 74,760	$ 443,900	$ 518,660

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
Transfer out:	
General	$ 75,000

The transfer from the General Fund to the Security Fund, a nonmajor governmental fund, was to supplement fund revenues for certain capital project costs.

Long-term Debt

Changes in long-term debt for the fiscal year ended September 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation debt	$ 835,000	$ -	$ 835,000	$ -	$ -
Financed purchases	2,072,032	-	265,330	1,806,702	267,531
Leases	1,424,823	444,819	553,472	1,316,170	592,131
Compensated absences	1,478,983	1,132,007	962,104	1,648,886	412,222
	$ 5,810,838	$ 1,576,826	$ 2,615,906	$ 4,771,758	$ 1,271,884

General Obligation Bonds. In prior years, the County has issued general obligation debt for capital projects to be repaid using a levy of debt service property taxes. At the beginning of the year, the County had one such bond outstanding, its General Obligation Refunding Bonds, Series 2016. That bond was fully repaid during fiscal year 2022, and now all general obligation debt, including all previously defeased bonds, are extinguished as of September 30, 2022.

Financed Purchases. The County has entered into financing arrangements with financial institutions for the purchase of certain equipment. Details for these agreements are described below. The loans are considered direct borrowings and are secured by the purchased equipment.

Series and Original Issue Amount		Financed Asset	Final Maturity	Interest Rate	Outstanding 09/30/2022
Secured Equipment - Note #xxxx009	$ 1,050,000	High efficiency lighting	09/25/28	3.03%	$ 450,702
VeraBank secured loan	1,554,000	Motor graders	5/13/2024	2.00%	1,356,000
Total					$ 1,806,702

In conjunction with the VeraBank loan, in 2021 the County signed a buyback agreement with the vendor that sold the motor graders. Under the agreement, the County is provided an irrevocable option to sell back the purchased equipment to the vendor at approximately the time that the loan matures. If the County exercises this option, the vendor will provide the County with $960,000 of the final $1,158,000 principal payment. Management anticipates that this option will be exercised at maturity in fiscal year 2024. The maturity schedules below include this amount, even though it is expected to be paid by the 3rd party.

Debt service requirements to maturity for financed purchases are as follows:

Year Ending September 30,	Principal	Interest	Total
2023	$ 267,531	$ 40,020	$ 307,551
2024	1,229,796	33,924	1,263,720
2025	73,869	8,562	82,431
2026	76,139	6,292	82,431
2027	78,478	3,953	82,431
2028	80,889	1,542	82,431
Total	$ 1,806,702	$ 94,293	$ 1,900,995

Leases. Beginning in Fiscal Year 2020, the County entered into an agreement to lease County vehicles from Enterprise. Each vehicle carries a lease term of 48 months and, at the conclusion of the lease, the vehicle will be returned. Title is retained by Enterprise.

As of September 30, 2022, the County had 63 vehicles leased under the master agreement, including 8 issued in the current year in the amount of $444,819. The lease payments range from $5,411 to $13,345 annually and mature at various points through fiscal year 2027. The lease liability was calculated using estimated incremental borrowing rates from 0.2% to 0.8%. During fiscal year 2022, the County recognized interest expense of $6,165.

The combined future debt service requirements for leases payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2023	$ 592,131	$ 5,559	$ 597,690
2024	511,765	2,792	514,557
2025	169,391	932	170,323
2026	42,883	106	42,989
Total	$ 1,316,170	$ 9,389	$ 1,325,559

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, 2022. 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 2022 have been reported as expenditures in the General Fund and Special Revenue Funds.

During the year ended September 30, 2022, 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 2020. 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, 2022. 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
09/30/2022	$ 212,564	3,401,693	$(3,326,242)	288,015
09/30/2021	240,282	3,057,867	(3,085,585)	212,564
09/30/2020	260,371	3,096,158	(3,116,247)	240,282

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 2022, the County abated property taxes of $51,348.

Defined Benefit Pension Plan

Plan Description

The County's nontraditional defined benefit pension plan, Texas County and District Retirement System (TCDRS), provides pensions for all of its full-time employees. 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 in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034 Austin, TX, 78768-2034.

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

Benefits Provided

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

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

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

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	241
Inactive employees entitled to but not yet receiving benefits	297
Active employees	317
	855

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 participate 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 rate for the County were 12.23% and 12.23% in calendar years 2021 and 2022 respectively. The County's contributions to TCDRS for the year ended September 30, 2022, were $1,700,796 and exceeded the required contributions by $107,680.

Net Pension Asset

The County's Net Pension Asset (NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment rate of return	7.50%, net of administrative and investment expenses, 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	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

All actuarial assumptions that determined the total pension liability as of December 31, 2021, were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The application of the investment return assumptions was changed for purposes of determining plan liabilities at the March 2022 meeting. All plan liabilities are now valued using an 7.6% discount rate.

The long-term expected rate of return on TCDRS is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2022 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in 2022. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return (Expected minus Inflation) [2]
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index [3]	4.00%	4.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [4]	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [5]	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90 Day U.S. Treasury	2.00%	-1.05%

(1) Target asset allocation adopted at the March 2022 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.60%, per Cliffwater's 2022 capital market assumptions.

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

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

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods. The employee is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable. Based on the above assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, a discount rate of 7.60% has been used. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2020	$ 71,585,997	$ 68,321,342	$ 3,264,655
Changes for the year:			
Service cost	1,677,753	-	1,677,753
Interest on total pension liability [1]	5,407,984	-	5,407,984
Effect of plan changes [2]	361,256	-	361,256
Effect of economic/demographic gains or losses	(15,960)	-	(15,960)
Effect of assumptions changes or inputs	(235,908)	-	(235,908)
Refund of contributions	(340,822)	(340,822)	-
Benefit payments	(3,949,880)	(3,949,880)	-
Administrative expenses	-	(43,958)	43,958
Member contributions	-	908,695	(908,695)
Net investment income	-	14,800,595	(14,800,595)
Employer contributions	-	1,587,618	(1,587,618)
Other [2]	-	(32,022)	32,022
Balance at 12/31/2021	$ 74,490,420	$ 81,251,568	$(6,761,148)

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[2] Reflect plan changes adopted effective in 2022.
[3] Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability (asset) of the County, calculated using the discount rate of 7.6%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6%) or 1-percentage-higher (8.6%) than the current rate:

	1% Decrease 6.6%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 83,564,770	$ 74,490,420	$ 66,842,164
Fiduciary net position	81,251,568	81,251,568	81,251,568
Net pension liability/(asset)	$ 2,313,202	$(6,761,148)	$(14,409,404)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022, the County recognized pension income of $794,527. At September 30, 2022, 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	$ 441,714	$ -
Changes in actuarial assumptions	157,272	1,863,973
Difference between projected and actual investment earnings	9,373,283	-
Contributions subsequent to the measurement date	-	1,267,097
Total	$ 9,972,269	$ 3,131,070

$1,267,097 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, but before September 30, 2022, will be recognized as a reduction of the total pension liability for the year ending September 30, 2023. 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,	
2023	(1,471,673)
2024	(2,468,520)
2025	(2,232,514)
2026	(1,935,589)
	$(8,108,296)

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, 2022, the County's contributions to the plan were $679,930, which were equal to plan benefit payments. Contributions and payments are considered equal because no contributions to the trust fund were made during the measurement period, and no benefit payments were made using plan assets.

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

Inactive employees or beneficiaries currently receiving benefits	101
Active members	80
Total	181

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	12/31/2020
Actuarial Cost Method	Individual Entry Age Normal
Discount Rate	6.50%
Inflation Rate	2.50%
Salary Increases	0.40% to 5.25%, not including inflation of 3.00%
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2020 as conducted for the Texas County and District Retirement System (TCDRS)
Mortality	For healthy retirees, the gender-distinct Pub-2010 General Retirees Tables for males and females are used with male rates multiplied by 135% and female rates multiplied by 120%. Those rates are projected on a fully generational basis based on 100% of the ultimate rates of mortality improvement scale MP-2021.
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	Non-Medicare: Initial rate of 7.00% declining to an ultimate rate of 4.25% after 13 years;Medicare: Initial rate of 6.30% declining to an ultimate rate of 4.25% after 13 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

The asset portfolio of the OPEB trust can support a 6.50% 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. Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total OPEB liability of the employer is equal to the long-term assumed rate of return on investments. Thus, a Single Discount Rate of 6.50% was used to measure the total OPEB liability.

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 (6.50%) in measuring the net OPEB liability.

	1% Decrease 5.50%	Current Single Discount Rate Assumption 6.50%	1% Increase 7.50%
County's net OPEB liability	$ 13,229,479	$ 11,732,855	$ 10,461,574

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	$ 10,273,332	$ 11,732,855	$ 13,472,633

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At September 30, 2022, the County reported a liability of $11,732,855 for its net OPEB liability. The Net OPEB Liability was measured as of December 31, 2021, based on the results of an actuarial valuation as of December 31, 2020. For the year ended September 30, 2022, the County recognized OPEB expense of $(407,327). 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 12/31/2020	$ 14,071,201	$ 2,008,263	$ 12,062,938
Changes for the year:			
Service cost	210,409	-	210,409
Interest on the total OPEB liability	898,320	-	898,320
Difference between expected and actual experience	(138,009)	-	(138,009)
Changes of Assumptions	(296,460)	-	(296,460)
Employer contributions	-	762,195	(762,195)
Net investment income	-	254,862	(254,862)
Benefit payments	(712,195)	(712,195)	-
Administrative expense	-	(12,714)	12,714
Net changes	(37,935)	292,148	(330,083)
Balance at 12/31/2021	$ 14,033,266	$ 2,300,411	$ 11,732,855

At September 30, 2022, the County reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 1,399,934
Changes in actuarial assumptions	226,123	213,208
Difference between projected and actual investment earnings	-	191,766
Contributions subsequent to the measurement date	569,885	-
Total	$ 796,008	$ 1,804,908

$569,885 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, 2023. 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,	
2023	$(888,534)
2024	(554,643)
2025	(110,987)
2026	(24,621)
	$(1,578,785)

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statements which become effective for fiscal year 2023.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that as SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires not disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

Prior Period Adjustment – Change in Accounting Principle

During the current year, the County implemented GASB Statement No. 87, *Leases.* Under that standard, the County recognized the right to use leased vehicles as a capital asset along with the related lease liability. The change in measurement of these transactions resulted in a net decrease of $238,291 to the net position of the governmental activities.

REQUIRED SUPPLEMENTARY INFORMATION

HARRISON COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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

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

2017	2018	2019	2020	2021
$ 1,563,380	$ 1,507,461	$ 1,485,193	$ 1,570,795	$ 1,677,753
4,697,492	4,936,362	5,119,028	5,282,230	5,407,984
-	-	-	-	361,256
224,501	-	-	3,727,947	(235,908)
(194,367)	(533,918)	(637,625)	(543,335)	(15,960)
(3,265,266)	(3,307,685)	(3,970,215)	(4,107,163)	(4,290,702)
3,025,740	2,602,220	1,996,381	5,930,474	2,904,423
58,031,182	61,056,922	63,659,142	65,655,523	71,585,997
$ 61,056,922	$ 63,659,142	$ 65,655,523	$ 71,585,997	$ 74,490,420
$ 1,319,964	$ 1,378,682	$ 1,432,217	$ 1,539,521	$ 1,587,618
827,933	831,963	859,087	881,192	908,695
7,568,357	(1,099,682)	9,214,741	6,560,723	14,800,595
(3,265,266)	(3,307,684)	(3,970,212)	(4,107,163)	(4,290,702)
(38,818)	(45,061)	(48,420)	(49,992)	(43,958)
(15,340)	(26,821)	(48,633)	(43,529)	(32,022)
6,396,830	(2,268,603)	7,438,780	4,780,752	12,930,226
51,973,583	58,370,413	56,101,810	63,540,590	68,321,342
$ 58,370,413	$ 56,101,810	$ 63,540,590	$ 68,321,342	$ 81,251,568
$ 2,686,509	$ 7,557,332	$ 2,114,933	$ 3,264,655	$(6,761,148)
95.60%	88.13%	96.78%	95.44%	109.08%
$ 11,827,612	$ 11,885,189	$ 12,272,672	$ 12,710,374	$ 12,981,358
22.71%	63.59%	17.23%	25.68%	-52.08%

HARRISON COUNTY, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
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%
2019	1,422,492	1,422,492	-	11,885,189	12.0%
2020	1,472,859	1,472,859	-	12,176,620	12.1%
2021	1,490,805	1,577,210	(86,405)	12,896,240	12.2%
2022	1,593,116	1,700,796	(107,680)	13,906,757	12.2%

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

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

<u>Methods and assumptions used to determine contributions rates:</u>

Actuarial Cost Method	Entry age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10.3 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method	5-year smoothed fair value
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	2015 & 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

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, 2022

Measurement Date December 31,	**2017**	**2018**	**2019**
Total OPEB Liability			
Service Cost	$ 337,003	$ 298,422	$ 281,033
Interest on the total OPEB liability	1,115,831	1,156,329	1,039,827
Difference between expected and actual experience	(56,174)	(2,759,282)	(81,017)
Changes of assumptions	-	446,336	-
Benefit payments	(744,307)	(828,001)	(839,759)
Net change in total OPEB liability	652,353	(1,686,196)	400,084
Total OPEB liability - beginning	16,493,155	17,145,508	15,459,312
Total OPEB liability - ending (a)	$ 17,145,508	$ 15,459,312	$ 15,859,396
Plan Fiduciary Net Position			
Employer contributions	$ 744,307	$ 1,028,001	$ 839,759
Net investment income	155,511	(70,781)	280,663
Benefit payments	(744,307)	(828,001)	(839,759)
Administrative expenses	(7,106)	(7,891)	(9,203)
Net change in plan fiduciary net position	148,405	121,328	271,460
Plan fiduciary net position - beginning	1,167,414	1,315,819	1,437,147
Plan fiduciary net position - ending (b)	$ 1,315,819	$ 1,437,147	$ 1,708,607
Net OPEB liability - ending (a) - (b)	$ 15,829,689	$ 14,022,165	$ 14,150,789
Fiduciary net position as a percentage of total OPEB liability	7.67%	9.30%	10.77%
Covered-employee payroll	$ 4,609,267	$ 4,094,669	$ 4,094,669
Net OPEB liability as a percentage of covered-employee payroll	343.43%	342.45%	345.59%

Notes to Schedule:

GASB Statement No. 75 requires 10 years of data to be provided in this schedule. Data prior to 2017 is not available. Additional years will be added in the future as the information becomes available.

FYE22 - The demographic and salary increase assumptions were updated to reflect the 2021 TCDRS experience study. Additionally, the methodology for determining service cost was updated to accrue the benefits over each employee's service with Harrison County.

FYE21 - The long-term rate of return assumption and the discount rate were changed from 6.85% to 6.50%.

FYE19 - The health care trend assumption was modified to better reflect the plan's anticipated experience.

	2020	2021
	$ 219,348	$ 210,409
	1,064,943	898,320
	(2,710,012)	(138,009)
	482,449	(296,460)
	(844,923)	(712,195)
	(1,788,195)	(37,935)
	15,859,396	14,071,201
	$ 14,071,201	$ 14,033,266
	$ 944,923	$ 762,195
	209,723	254,862
	(844,923)	(712,195)
	(10,067)	(12,714)
	299,656	292,148
	1,708,607	2,008,263
	$ 2,008,263	$ 2,300,411
	$ 12,062,938	$ 11,732,855
	14.27%	16.39%
	$ 3,279,369	$ 3,279,369
	367.84%	357.78%

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OTHER SUPPLEMENTARY INFORMATION

HARRISON COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	Special Revenue				
	Jury	Bail Bond Board	Drug Forfeitures	Permanent School Fund	Airport Maintenance
ASSETS					
Cash and cash equivalents	$ 164,713	$ 230,146	$ 13,774	$ 10,361	$ 316,720
Receivables:					
Accounts	-	10	-	1,326	4,083
Leases	-	-	-	-	921,713
Due from other governments	4,386	-	-	-	-
Due from other funds	4,785	-	-	-	1,687
Total assets	173,884	230,156	13,774	$ 11,687	1,244,203
LIABILITIES					
Accounts payable	2,930	-	-	-	4,966
Accrued wages payable	3,696	-	-	-	-
Total liabilities	6,626	-	-	-	4,966
DEFERRED INFLOWS OF RESOURCES					
Related to leases	-	-	-	-	921,813
Total deferred inflows	-	-	-	-	921,813
FUND BALANCES					
Restricted	-	230,156	13,774	11,687	317,424
Committed	167,258	-	-	-	-
Total fund balances	167,258	230,156	13,774	11,687	317,424
Total liabilities, deferred inflows, and fund balances	$ 173,884	$ 230,156	$ 13,774	$ 11,687	$ 1,244,203

Special Revenue							
Tax Collector VIT	Justice Technology	Law Library	Juvenile Services	Records Management	Security	District Attorney Special	District Court Technology
$ 152,006	$ 157,161	$ 58,513	$ 637,747	$ 1,007,937	$ 75,231	$ 198,879	$ 60,104
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	31,623	-	-	-	-
-	2,504	3,230	15,357	36,089	5,214	-	45
152,006	159,665	61,743	684,727	1,044,026	80,445	198,879	60,149
-	114	7,607	103,361	116,834	-	152	-
-	-	108	17,811	-	3,214	922	-
-	114	7,715	121,172	116,834	3,214	1,074	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
152,006	159,551	54,028	-	-	77,231	197,805	60,149
-	-	-	563,555	927,192	-	-	-
152,006	159,551	54,028	563,555	927,192	77,231	197,805	60,149
$ 152,006	$ 159,665	$ 61,743	$ 684,727	$ 1,044,026	$ 80,445	$ 198,879	$ 60,149

HARRISON COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	Special Revenue				
	County Court Technology	Case Manager	District Clerk Preservation	County Clerk Preservation	6th Court of Appeal
ASSETS					
Cash and cash equivalents	$ 8,513	$ 49,956	$ 107,840	$ 51,666	$ 1,409
Receivables:					
Accounts	-	-	-	-	-
Leases	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	117	1,712	2,260	620	460
Total assets	8,630	51,668	110,100	52,286	1,869
LIABILITIES					
Accounts payable	-	-	10,540	-	1,405
Accrued wages payable	-	450	-	-	-
Total liabilities	-	450	10,540	-	1,405
DEFERRED INFLOWS OF RESOURCES					
Related to leases	-	-	-	-	-
Total deferred inflows	-	-	-	-	-
FUND BALANCES					
Restricted	8,630	51,218	99,560	52,286	464
Committed	-	-	-	-	-
Total fund balances	8,630	51,218	99,560	52,286	464
Total liabilities, deferred inflows, and fund balances	$ 8,630	$ 51,668	$ 110,100	$ 52,286	$ 1,869

Special Revenue						
Vital Archive Fee	Election Contracts	Court Initiated Guardianship	Youth Enrichment	Debt Service	Capital Projects	Totals
$ 23,055	$ 19,152	$ 61,599	$ 80,199	$ 287,270	$ 1,095,710	$ 4,869,661
-	-	-	-	-	174,349	179,768
-	-	-	-	-	-	921,713
-	-	-	-	-	-	36,009
332	-	560	9,444	9,688	4,112	98,216
23,387	19,152	62,159	89,643	296,958	1,274,171	6,105,367
-	-	-	-	-	224,951	472,860
-	-	-	-	-	-	26,201
-	-	-	-	-	224,951	499,061
-	-	-	-	-	-	921,813
-	-	-	-	-	-	921,813
23,387	19,152	62,159	89,643	296,958	1,049,220	3,026,488
-	-	-	-	-	-	1,658,005
23,387	19,152	62,159	89,643	296,958	1,049,220	4,684,493
$ 23,387	$ 19,152	$ 62,159	$ 89,643	$ 296,958	$ 1,274,171	$ 6,105,367

HARRISON COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue				
	Jury	Bail Bond Board	Drug Forfeitures	Permanent School Fund	Airport Maintenance
REVENUES					
Ad valorem taxes	$ 250,469	$ -	$ -	$ -	$ 26,090
Licenses and permits	-	1,590	-	-	-
Intergovernmental	26,010	-	3,501	-	59,000
Charges for services	10,113	-	-	-	178,955
Fines and forfeitures	-	-	-	-	-
Investment earnings	3,485	645	44	1,132	1,519
Miscellaneous	-	-	-	8,418	18,398
Total revenues	290,077	2,235	3,545	9,550	283,962
EXPENDITURES					
Current expenditures:					
General administration	-	-	-	120,000	276,474
Judicial	244,673	-	-	-	-
Legal	-	-	-	-	-
Elections	-	-	-	-	-
Public safety	-	-	4,430	-	-
Public transportation	-	-	-	-	31,167
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	244,673	-	4,430	120,000	307,641
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	45,404	2,235	(885)	(110,450)	(23,679)
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	-	-	-	-	-
Sale of assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	45,404	2,235	(885)	(110,450)	(23,679)
FUND BALANCE, BEGINNING	121,854	227,921	14,659	122,137	341,103
FUND BALANCE, ENDING	$ 167,258	$ 230,156	$ 13,774	$ 11,687	$ 317,424

Special Revenue							
Tax Collector VIT	Justice Technology	Law Library	Juvenile Services	Records Management	Security	District Attorney Special	District Court Technology
$ -	$ -	$ -	$ 469,630	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	38,130	-	-	22,500	-
18,866	13,017	36,031	183,458	413,185	53,925	11,455	2,220
-	-	-	-	-	-	836	-
703	817	421	13,608	4,344	248	909	173
-	-	-	-	-	-	-	-
19,569	13,834	36,452	704,826	417,529	54,173	35,700	2,393
10,464	17,547	5,492	-	398,726	-	-	2,531
-	-	44,455	-	8,345	132,621	-	-
-	-	-	-	-	-	58,011	-
-	-	-	-	-	-	-	-
-	11,605	-	1,324,837	-	57,363	-	-
-	-	-	-	-	-	-	-
-	-	-	7,130	-	-	-	-
-	-	-	56	-	-	-	-
10,464	29,152	49,947	1,332,023	407,071	189,984	58,011	2,531
9,105	(15,318)	(13,495)	(627,197)	10,458	(135,811)	(22,311)	(138)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	25,838	-
-	-	-	-	-	75,000	-	-
-	-	-	-	-	75,000	25,838	-
9,105	(15,318)	(13,495)	(627,197)	10,458	(60,811)	3,527	(138)
142,901	174,869	67,523	1,190,752	916,734	138,042	194,278	60,287
$ 152,006	$ 159,551	$ 54,028	$ 563,555	$ 927,192	$ 77,231	$ 197,805	$ 60,149

HARRISON COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Special Revenue				
	County Court Technology	Case Manager	District Clerk Preservation	County Clerk Preservation	6th Court of Appeal
REVENUES					
Ad valorem taxes	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	1,279	15,998	20,839	7,070	-
Fines and forfeitures	-	-	-	-	16
Investment earnings	22	147	270	152	-
Miscellaneous	-	-	-	-	-
Total revenues	1,301	16,145	21,109	7,222	16
EXPENDITURES					
Current expenditures:					
General administration	-	-	-	-	-
Judicial	-	20,578	10,540	6,245	-
Legal	-	-	-	-	-
Elections	-	-	-	-	-
Public safety	-	-	-	-	-
Public transportation	-	-	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Total expenditures	-	20,578	10,540	6,245	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,301	(4,433)	10,569	977	16
OTHER FINANCING SOURCES (USES)					
Insurance recoveries	-	-	-	-	-
Sale of assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	1,301	(4,433)	10,569	977	16
FUND BALANCE, BEGINNING	7,329	55,651	88,991	51,309	448
FUND BALANCE, ENDING	$ 8,630	$ 51,218	$ 99,560	$ 52,286	$ 464

Special Revenue						
Vital Archive Fees	Election Contracts	Court Initiated Guardianship	Youth Enrichment	Debt Service	Capital Projects	Totals
$ -	$ -	$ -	$ -	$ 657,483	$ 305,259	$ 1,708,931
-	-	-	-	-	-	1,590
-	4,041	-	-	-	-	153,182
4,538	10,778	6,720	97,874	-	-	1,086,321
-	-	-	-	-	-	852
60	86	166	204	6,957	6,628	42,740
-	-	-	-	-	-	26,816
4,598	14,905	6,886	98,078	664,440	311,887	3,020,432
-	-	-	100,183	-	231,219	1,162,636
-	-	-	-	-	-	467,457
-	-	-	-	-	-	58,011
-	64,476	-	-	-	-	64,476
-	-	-	-	-	-	1,398,235
-	-	-	-	-	-	31,167
-	-	-	-	902,330	-	909,460
-	-	-	-	19,013	-	19,069
-	64,476	-	100,183	921,343	231,219	4,110,511
4,598	(49,571)	6,886	(2,105)	(256,903)	80,668	(1,090,079)
-	-	-	-	-	190,016	190,016
-	-	-	-	-	-	25,838
-	-	-	-	-	-	75,000
-	-	-	-	-	190,016	290,854
4,598	(49,571)	6,886	(2,105)	(256,903)	270,684	(799,225)
18,789	68,723	55,273	91,748	553,861	778,536	5,483,718
$ 23,387	$ 19,152	$ 62,159	$ 89,643	$ 296,958	$ 1,049,220	$ 4,684,493

HARRISON COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

CUSTODIAL FUNDS

SEPTEMBER 30, 2022

	County Treasurer	County Clerk	District Attorney	District Clerk
ASSETS				
Cash and cash equivalents	$ 180,513	$ 810,393	$ 271,782	$ 5,821,076
Investments	-	338,981	-	490,202
Total assets	180,513	1,149,374	271,782	6,311,278
LIABILITIES				
Accounts payable	-	239	-	-
Due to other governments	143,905	2,289	-	13,164
Due to other funds	36,608	84,803	-	24,339
Court ordered funds	-	1,550	-	62,281
Court ordered trust and prisoner funds	-	5,366	-	-
Total liabilities	180,513	94,247	-	99,784
NET POSTION				
Restricted for individuals, organizations and other governments	-	1,055,127	271,782	6,211,494
Total net positon	$ -	$ 1,055,127	$ 271,782	$ 6,211,494

Justices of the Peace	Juvenile Center	Sheriff	Tax Assessor-Collector	Fines Collection	Medical Plan	Adult and Juvenile Probation	Total Custodial Funds
$ 126,576	$ 977	$ 510,945	$ 1,590,413	$ 35,305	$ 51,022	$ 548,451	$ 9,947,453
-	-	-	150,000	-	-	-	979,183
126,576	977	510,945	1,740,413	35,305	51,022	548,451	10,926,636
-	-	-	92,553	222	30	21,309	114,353
49,126	40	-	1,004,551	6,008	-	-	1,219,083
76,343	937	2,049	190,038	28,783	-	-	443,900
-	-	-	-	-	-	-	63,831
-	-	-	-	-	-	-	5,366
125,469	977	2,049	1,287,142	35,013	30	21,309	1,846,533
1,107	-	508,896	453,271	292	50,992	527,142	$ 9,080,103
$ 1,107	$ -	$ 508,896	$ 453,271	$ 292	$ 50,992	$ 527,142	$ 9,080,103

HARRISON COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

CUSTODIAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	County Treasurer	County Clerk	District Attorney	District Clerk
ADDITIONS				
Taxes/fees collected on behalf of other governments	$ -	$ 1,104,522	$ -	$ -
Fines collected on behalf of other governments	696,946	-	75,076	419,553
Contribution from other contracting entities	-	-	-	-
Bonds held	-	110,848	-	214,659
Civil registry received	-	435,291	-	1,809,355
Total additions	696,946	1,650,661	75,076	2,443,567
DEDUCTIONS				
Taxes/fees collected on behalf of comptroller	-	-	-	-
Disbursements of fines/fees	696,946	1,110,074	44,679	400,097
Disbursements on behalf of contracting entities	-	-	-	-
Bonds disbursed	-	66,589	-	14,000
Civil registry disbursed	-	217,149	-	1,311,587
Total deductions	696,946	1,393,812	44,679	1,725,684
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	-	256,849	30,397	717,883
FIDUCIARY NET POSITION, BEGINNING	-	798,278	241,385	5,493,611
FIDUCIARY NET POSITION, ENDING	$ -	$ 1,055,127	$ 271,782	$ 6,211,494

Justices of the Peace	Juvenile Center	Sheriff	Tax Assessor-Collector	Fines Collection	Medical Plan	Adult and Juvenile Probation	Total Custodial Funds
$ -	$ -	$ -	$ 50,907,996	$ -	$ -	$ -	$ 52,012,518
1,221,814	8,137	116,104	-	477,752	-	-	3,015,382
-	-	694,261	-	-	62,145	1,375,588	2,131,994
-	-	-	-	-	-	-	325,507
-	-	-	-	-	-	-	2,244,646
1,221,814	8,137	810,365	50,907,996	477,752	62,145	1,375,588	59,730,047
-	-	-	50,651,159	-	-	-	50,651,159
1,222,432	8,137	136,452	-	478,100	-	-	4,096,917
-	-	734,252	-	-	53,419	1,419,275	2,206,946
-	-	-	-	-	-	-	80,589
-	-	-	-	-	-	-	1,528,736
1,222,432	8,137	870,704	50,651,159	478,100	53,419	1,419,275	58,564,347
(618)	-	(60,339)	256,837	(348)	8,726	(43,687)	1,165,700
1,725	-	569,235	196,434	640	42,266	570,829	7,914,403
$ 1,107	$ -	$ 508,896	$ 453,271	$ 292	$ 50,992	$ 527,142	$ 9,080,103

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COMPLIANCE SECTION

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

Honorable County Judge
and 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 (the "County"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 29, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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 29, 2023

PATTILLO, BROWN & HILL, L.L.P.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Honorable County Judge
and County Commissioners
Harrison County, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harrison County, Texas' (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2022. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. *Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

Waco, Texas
June 29, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-through Entity Identifying Number	Assistance Listing Number	Total Expenditures	Passed Through to Subrecipients
FEDERAL AWARDS				
U.S. Department of Agriculture				
Passed through the Texas Department of Agriculture:				
National School Lunch Program - Child Nutrition Cluster	75P6008	10.555	$ 38,130	$ -
Total Passed through the Texas Department of Agriculture			38,130	-
Total U.S. Department of Agriculture			38,130	-
U.S. Department of Justice				
Direct Program:				
COVID-19 - Coronavirus Emergency Supplemental Funding	N/A	16.034	14,981	-
State Criminal Alien Assistance Program	2019-H1174-TX-AP	16.606	24,985	-
Total Direct Programs			39,966	-
Total U.S. Department of Justice			39,966	-
U.S. Department of Transportation				
Passed through the Texas Department of Transportation:				
Airport Improvement Program	22CVMARSH	20.106	59,000	-
Total Passed through the Texas Department of Transportation			59,000	-
Total U.S. Department of Transportation			59,000	-
U.S. Department of Treasury				
Direct Program:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	SLFRP3260	21.027	4,145,691	-
Total Direct Program			4,145,691	-
Total U.S. Department of Treasury			4,145,691	-
U.S. Department of Homeland Security				
Passed through the Texas Department of Public Safety:				
Law Enforcement Terrorism Prevention Activities (LEPTA) - Scanner	4305601	97.067	25,000	-
Law Enforcement Terrorism Prevention Activities (LEPTA) - Elysian Fire	4305701	97.067	5,956	-
Total 97.067			30,956	-
Total Passed through the Texas Department of Public Safety			30,956	-
Total U.S. Department of Homeland Security			30,956	-
Total Federal Awards			$ 4,313,743	$ -

The accompanying notes are an integral part of this schedule.

HARRISON COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the County under programs of the federal government for the year ended September 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*). Because the schedule presents only a selected portion of the operations of the County, it is not intended and does not present the financial position, changes in net position/fund balance or cash flows of the County.

Note 2 - Summary of Significant Accounting Policies

The County accounts for federal funding using the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences, claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenue until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 3 - Indirect Costs

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

HARRISON COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Summary of Auditor's Results

Financial Statements:	
Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	None
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	2022-001
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	None
Identification of major programs:	
Assistance Listing Number	Name of Federal Program or Cluster:
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	No

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

None

Findings and Questioned Costs Related to Federal Awards

2022-001

Federal Award Finding:

Item 2022-001 **Coronavirus State and Local Fiscal Recovery Fund, ALN 21.027**

Type	Significant Deficiency
Compliance Requirement	Reporting
Criteria	The U.S. Department of Treasury *SLFRF Compliance and Reporting Guidance* requires the County prepare quarterly submissions of the *Project and Expenditure Report.* The 2022 Compliance Supplement identifies multiple Key Line Items in the report, including cumulative expenditures and current period expenditures. Internal control should be established and maintained to provide reasonable assurance that these requirements are complied with by submitting the reports accurately.
Condition	For the fiscal year under audit, the *Project and Expenditure Report* reported cumulative expenditures as program income, and the total obligation was reported as cumulative expenditures before the amounts had actually been spent.
Cause	The County followed a process for reviewing the reports and understanding program requirements; however, the new and emerging nature of the program and related guidance limited the internal knowledge necessary to identify the errors.
Effect	Required reports submitted to the Federal Agency contained inaccuracies to identified key elements.
Recommendation	We recommend that the County expand its review process for key reports to consider if new or emerging funding merits additional staff training or the engagement of outside assistance.
Management's Response	We agree with the finding and have initiated discussions to provide training and implement procedures to ensure compliance.

HARRISON COUNTY, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

None