

**HOUSTON COUNTY, TEXAS**  
**AUDITED FINANCIAL STATEMENTS**  
**AND COMPLIANCE REPORTS**  
**SEPTEMBER 30, 2014**



## **INTRODUCTORY SECTION**

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**HOUSTON COUNTY, TEXAS  
PRINCIPAL PUBLIC OFFICIALS  
SEPTEMBER 30, 2014**

**COMMISSIONERS' COURT**

Erin Ford ..... County Judge  
Roger Dickey..... Commissioner Precinct No. 1  
Willie Kitchen..... Commissioner Precinct No. 2  
Pat Perry..... Commissioner Precinct No. 3  
Kennon Kellum..... Commissioner Precinct No. 4

**COUNTY ELECTED OFFICIALS**

Morris Luker ..... Constable Precinct No. 1  
Kenneth Smith..... Constable Precinct No. 2  
Daphne Session..... County Attorney  
Bridget Lamb ..... County Clerk  
Sarah T. Clark..... County Court at Law  
Charles R. Hodges..... County Surveyor  
Dina Herrera..... County Treasurer  
Clyde Black..... Justice of the Peace, Precinct No. 1  
Ronnie Jordan..... Justice of the Peace, Precinct No. 2  
Darrel Bobbitt..... Sheriff  
Danette Millican..... Tax Assessor/Collector

**DISTRICT ELECTED OFFICIALS**

Donna Gordon Kaspar..... District Attorney, 349th Judicial District  
Carolyn Rains..... District Clerk  
Mark Alan Calhoon..... District Judge, 3rd Judicial District  
Pam Foster Fletcher..... District Judge, 349th Judicial District

**APPOINTED OFFICIALS**

Odia McQuirter..... Building Maintenance Supervisor  
Brandon Sheeley..... Community Supervision/Corrections Department  
Melissa Mosley..... County Auditor  
Jo Smith..... County Extension Agent – Agriculture  
Mandy Patrick..... County Extension Agent – Family & Consumer Science  
David Lamb..... Emergency Management Coordinator & Fire Marshal  
M. Brent Williams..... Information Technology Director  
Angela B. Cross..... Juvenile Probation Department  
Fred Newtz..... Veteran Service Officer

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**FINANCIAL SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

420 S 1<sup>st</sup> Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181  
301 N 6<sup>th</sup> Street • PO Box 1249 • Crockett, TX 75835-1249 • (936) 544-2143

Melvin R. Todd, CPA  
Daren Hamaker, CPA  
Kim Johnson, CPA  
Rachel Kennerly, CPA

## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and  
Members of the Commissioners' Court  
Houston County, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas, (the "County") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining

## INDEPENDENT AUDITORS' REPORT – CONTINUED

fund information of Houston County, Texas, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress of pension plan on pages 11-17 and 57-71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards, on pages 77-103 and 111-112, respectively, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements 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, 2015, on pages 107-108, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit

**INDEPENDENT AUDITORS' REPORT – CONTINUED**

performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 29, 2015

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**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)**

As management of Houston County, Texas (the "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, 2014. We encourage readers to consider information presented here as well as the County's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

**Government-wide financial statements**

- The County's overall assets exceeded its total liabilities by \$7,354,380 (net position) at September 30, 2014. Of this amount, \$1,906,495 may be used to meet the County's ongoing obligations to citizens and creditors.
- Total assets increased by \$250,077 from the prior year; total liabilities decreased by \$164,564 from the prior year.
- Overall revenues exceeded expenses (or an increase in net position) by \$414,641. Depreciation expense of \$1,112,386 is included in these expenses.

**Fund financial statements**

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$3,782,786. Overall revenues exceeded expenses by \$295,817.
- At September 30, 2014, unassigned fund balance for the General Fund was \$2,818,779, or 44% of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary that further explains and supports the information in the financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements*, which begin on page 23 of this report, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

The *statement of activities* presents information showing how the County's net position changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)**

and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* available at the end of the fiscal year.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

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

The governmental fund financial statements can be found on pages 28 to 35 of this report.

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

The fiduciary fund financial statement can be found on pages 37 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 to 54 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. The County's assets exceeded its liabilities by \$7,354,380 at September 30, 2014.

The largest portion of the County's net position, or \$3,227,263, reflects its investment in capital assets (\$15,559,242) less the related debt used to acquire those assets that remains outstanding (\$12,331,979). The County uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position totaling \$2,220,622 represents resources that are subject to restriction on how they may be used.

The remaining balance of \$1,906,495 is unrestricted in nature.

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)**

**The County's Net Position**

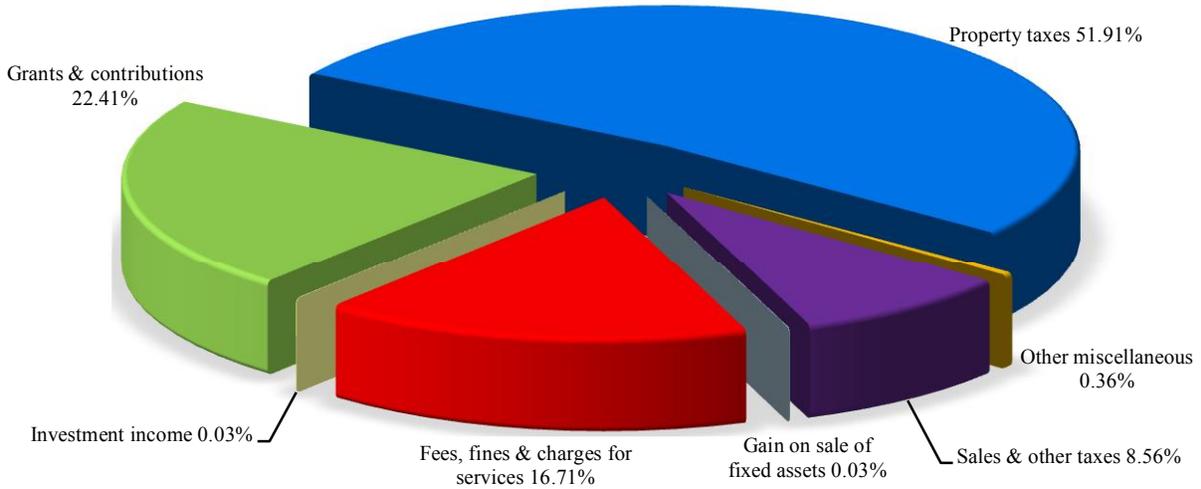
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 5,166,199	\$ 4,289,633
Capital assets, net	<u>15,559,242</u>	<u>16,185,731</u>
Total assets	<u>20,725,441</u>	<u>20,475,364</u>
Long-term liabilities	12,331,979	13,090,324
Other liabilities	<u>1,039,082</u>	<u>445,301</u>
Total liabilities	<u>13,371,061</u>	<u>13,535,625</u>
Net position:		
Invested in capital assets, net of related debt	3,227,263	3,095,407
Restricted	2,220,622	2,072,213
Unrestricted	<u>1,906,495</u>	<u>1,772,119</u>
Total net position	<u>\$ 7,354,380</u>	<u>\$ 6,939,739</u>

**Change in Net Position**

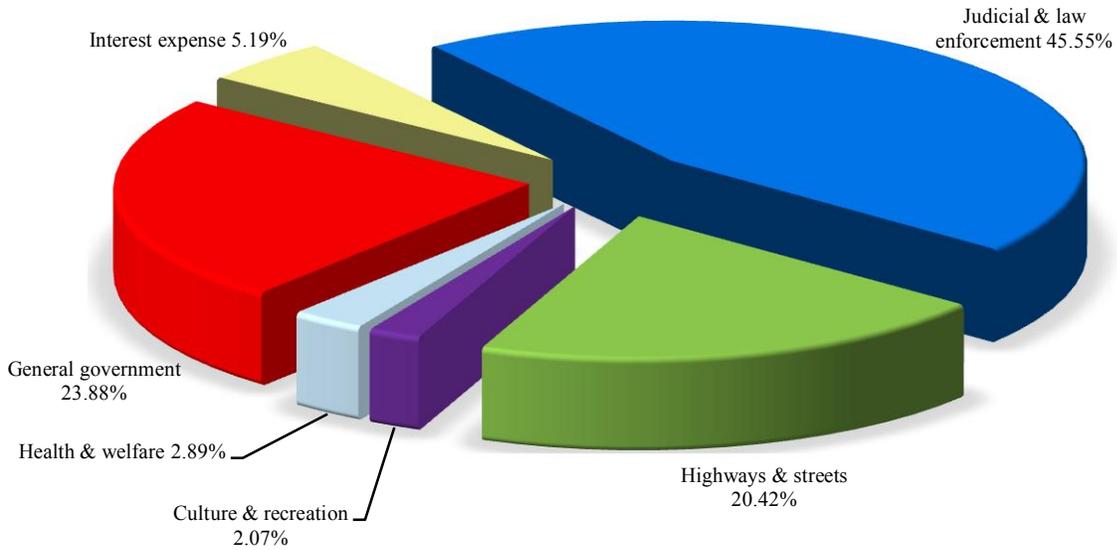
	<u>2014</u>	<u>2013</u>
Revenues		
Fees, fines, charges for services	\$ 2,060,705	\$ 1,928,079
Property taxes	6,402,318	5,530,036
Sales taxes	998,439	1,111,569
Other taxes	57,446	50,416
Investment income	3,913	5,824
Grants and contributions	2,763,917	1,570,197
Payment in lieu of taxes	33,717	30,965
Gain on sale of assets	3,275	6,401
Other miscellaneous	<u>44,422</u>	<u>27,525</u>
Total revenues	<u>12,368,152</u>	<u>10,261,012</u>
Expenses		
General government	2,710,514	2,563,188
Judicial and law enforcement	5,169,416	4,893,505
Highways and streets	2,317,054	2,022,627
Health and welfare	328,325	320,117
Culture and recreation	234,853	192,661
Pass-through expenditures	604,120	341,386
Interest on long-term debt	<u>589,229</u>	<u>608,487</u>
Total expenses	<u>11,953,511</u>	<u>10,941,971</u>
Increase (decrease) in net position	414,641	(680,959)
Prior period adjustment	-	(162,752)
Net position at beginning of year	<u>6,939,739</u>	<u>7,783,450</u>
Net position at end of year	<u>\$ 7,354,380</u>	<u>\$ 6,939,739</u>

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)**

**Revenues by Source  
For the Fiscal Year Ended September 30, 2014**



**Expenses by Function  
For the Fiscal Year Ended September 30, 2014**



**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**Governmental Funds.** The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unassigned fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The County's governmental fund financial statements are presented on pages 28 to 35.

As of September 30, 2014, the County's governmental funds reported a total fund balance of \$3,782,786. This fund balance is comprised of \$964,026 that is either in a nonspendable form, restricted or assigned for specific purpose. The remaining balance, \$2,818,760, is unassigned. During the year, the fund balance in the County's governmental funds increased by \$295,817.

**Budgetary Comparisons.** A comparison of the general fund, each individual road and bridge fund, the FEMA grant fund, and the CETRZ grant fund budget and actual results are presented as required supplementary information on pages 57 to 69.

*General Fund.* Actual revenues were lower than budgeted amounts by \$332,284. Actual expenditures were lower than budgeted amounts by \$277,957. Actual other financing sources (uses) were favorable to budgeted amounts by \$38,013. A balanced budget was adopted, with no change in fund balance being projected. Actual amounts resulted in a decrease in fund balance of \$16,314 for the fiscal year.

*Road and Bridge Funds.* Actual revenues were lower than budgeted amounts by \$41,930. Actual expenditures were lower than budgeted amounts by \$89,202. Actual other financing sources (uses) were favorable to budgeted amounts by \$161,185. An overall decrease in fund balance of \$65,000 had been projected, using prior year budget carryovers to fund the decrease. The actual increase in fund balance was \$208,457 (a favorable budget variance).

*FEMA Grant Fund.* Actual revenues were lower than budgeted amounts by \$22,538. Actual expenditures were lower than budgeted amounts by \$31,500. Actual other financing sources (uses) were favorable to budgeted amounts by \$4,388. A balanced budget was adopted, with no change in fund balance being projected. Actual amounts yielded an increase in fund balance of \$13,350 for the year.

*CETRZ Grant Fund.* Actual revenues were lower than budgeted amounts by \$568,465. Actual expenditures were lower than budgeted amounts by the same amount. A balanced budget was adopted, with no change in fund balance being projected. Actual amounts resulted in no change to fund balance for the fiscal year.

**CAPITAL ASSETS**

The County's investment in capital assets as of September 30, 2014 totaled \$15,559,242 (net of accumulated depreciation).

Capital assets of \$488,146 were purchased during the year. Significant purchases included:

- Placed in service airport refueling station (grant funded)
- WAVE Plus control panel and panic buttons
- 2014 Chevy Tahoe (grant funded)
- Various trucks and heavy equipment (funded by capital leases/notes)

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)**

**Capital Assets (Net of Depreciation)**

	2014	2013
Land	\$ 140,320	\$ 140,320
Construction in progress	21,458	64,064
Buildings and improvements	18,195,482	17,942,096
Infrastructure	72,792	67,652
Rolling stock	6,543,030	6,339,638
Furniture and equipment	1,552,074	1,540,150
Less: accumulated depreciation	(10,965,914)	(9,908,189)
Total	\$ 15,559,242	\$ 16,185,731

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$12,331,979.

**Debt Outstanding**

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation	\$ 12,130,000	\$ -	\$ 375,000	\$ 11,755,000
Capital leases	779,000	236,420	610,221	405,199
Total	\$ 12,909,000	\$ 236,420	\$ 985,221	\$ 12,160,199

Also included in noncurrent liabilities in the statement of net position is \$171,780 of unamortized bond premium.

**ECONOMIC FACTORS AND FUTURE FUNDING**

Local property taxes provide the major source of funding for county governments in Texas. Property tax revenue is historically very stable and predictable. Houston County's adopted rate of 46.5 cents remains one of the lowest rates in our region and one of the lower rates statewide.

Despite difficult statewide economic times, Houston County continues to be mindful of their financial condition and impact on the local taxpayers. We remain conservative and proactive in all aspects of county activities. We are concerned about the impact of declining state and federal revenues, including timber and mineral revenues from the Davy Crockett National Forest, and declining grant availability and have reached out to our representatives on all government levels to make them aware of our needs.

The County Commissioners are working to maintain our road infrastructure with a shifting revenue stream of reduced federal funds and increased property taxes. The jail and court system struggles with increased expenses.

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
(UNAUDITED)**

We are facing aged infrastructure maintenance and required updates to the roof, air conditioning and elevators. We began repurposing of the Old Jail Facility into a records archiving facility for all county records, office space for the Crockett offices of the Texas Department of Public Safety and Drivers License, and work areas for the Houston County Home Delivered Meal Program. We are always looking to protect and maintain the quality of life for our citizens.

Another issue facing Houston County is the rapid departure of the County's ambulance provider, ETMC-EMS. In December of 2014, we were given 90 days to ensure the citizens had emergency medical services. During that period, a company was selected and began on March 26, 2015 with a smooth transition. But, the taxpayers are now saddled with providing a \$240,000 annual subsidy for this EMS service.

We are focused on establishing opportunities for employment of our citizens, as well as increased property tax values to better improve our County. We have successfully negotiated an agreement with Energy Transfer for the construction of the Alamo Gas Plant in 2015/2016. This plant is a \$100 million capital investment and will employ 20 permanent employees with future expansion possibilities.

The Houston County Commissioners Court has worked with all of your elected officials to establish and adhere to a conservative, efficient budget while still providing adequate funding for important County services.

**REQUESTS FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the County's finances. If you have questions about this report or need any additional information, contact the Houston County Auditor at (936) 544-3255 or write to 401 E. Goliad, Suite 204, Crockett, Texas 75835.

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2014**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,355,543	\$ 1,355,543
Receivables		
Property taxes, net of allowance for uncollectibles	522,059	522,059
Sales tax receivable	188,659	188,659
Grants	28,687	28,687
Other - miscellaneous	74,647	74,647
Prepays	26,919	26,919
Restricted assets		
Cash and cash equivalents	630,837	630,837
Certificates of deposit	1,576,094	1,576,094
Property taxes, net of allowance for uncollectibles	35,521	35,521
Grant receivables	719,771	719,771
Other receivables	7,462	7,462
Capital assets		
Capital assets not being depreciated	161,778	161,778
Capital assets being depreciated	26,363,378	26,363,378
Accumulated depreciation	<u>(10,965,914)</u>	<u>(10,965,914)</u>
<b>TOTAL ASSETS</b>	<u>20,725,441</u>	<u>20,725,441</u>
<b>LIABILITIES</b>		
Accounts payable	781,191	781,191
Accrued interest	73,063	73,063
Accrued compensated absences	113,418	113,418
Unearned revenues	71,410	71,410
Noncurrent liabilities		
Due within one year	583,197	583,197
Due in more than one year	<u>11,748,782</u>	<u>11,748,782</u>
<b>TOTAL LIABILITIES</b>	<u>13,371,061</u>	<u>13,371,061</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	3,227,263	3,227,263
Restricted for		
Deposits held as collateral by others	1,576,094	1,576,094
Debt service	24,329	24,329
General government	269,570	269,570
Judicial and law enforcement	149,658	149,658
Highways and streets	200,912	200,912
Health and welfare	59	59
Unrestricted	<u>1,906,495</u>	<u>1,906,495</u>
<b>TOTAL NET POSITION</b>	<u>\$ 7,354,380</u>	<u>\$ 7,354,380</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 2,710,514
Judicial and law enforcement	5,169,416
Highways and streets	2,317,054
Health and welfare	328,325
Culture and recreation	234,853
Pass-through expenditures	604,120
Interest on long-term debt	589,229
Total governmental activities	\$ 11,953,511

Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 305,447	\$ 19,128	\$ -	\$ (2,385,939)
969,357	611,043	35,054	(3,553,962)
694,812	1,092,328	21,458	(508,456)
41,924	190,809	-	(95,592)
49,165	5,584	184,393	4,289
-	604,120	-	-
-	-	-	(589,229)
<u>\$ 2,060,705</u>	<u>\$ 2,523,012</u>	<u>\$ 240,905</u>	<u>(7,128,889)</u>

General revenues	
Property taxes	6,402,318
Sales taxes	998,439
Other taxes	57,446
Investment income	3,913
Payments in lieu of taxes	33,717
Gain on sale of assets	3,275
Miscellaneous income	44,422
Total general revenues	<u>7,543,530</u>
Change in net position	414,641
Net position - beginning	<u>6,939,739</u>
Net position - ending	<u>\$ 7,354,380</u>

See accompanying notes to the financial statements.

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**FUND FINANCIAL STATEMENTS**

**HOUSTON COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,120,971	\$ 74,782	\$ 7,063
Certificates of deposit	1,576,094	-	-
Receivables			
Property taxes	549,536	-	-
Sales taxes	188,659	-	-
Grants	28,687	-	-
Other - miscellaneous	69,921	75	-
Due from other funds	16,261	-	-
Prepaid items	18,262	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,568,391</b>	<b>\$ 74,857</b>	<b>\$ 7,063</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	161,597	-	5,594
Due to other funds	-	-	868
Unearned revenues	64,167	-	-
Total liabilities	225,764	-	6,462
Deferred inflows of resources			
Unavailable revenue - property taxes	523,848	-	-
Total deferred inflows of resources	523,848	-	-
Fund balances			
Nonspendable	-	-	-
Restricted	-	-	-
Assigned	-	74,857	601
Unassigned	2,818,779	-	-
Total fund balances	2,818,779	74,857	601
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,568,391</b>	<b>\$ 74,857</b>	<b>\$ 7,063</b>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	FEMA Grants	CETRZ Grant	Nonmajor Governmental Funds	Total Governmental Funds
\$ 19,800	\$ 106,272	\$ 13,162	\$ 4,556	\$ 1,220,264	\$ 2,566,870
-	-	-	-	-	1,576,094
-	-	-	-	37,390	586,926
-	-	-	-	-	188,659
-	-	188,052	312,447	219,272	748,458
-	-	-	-	12,113	82,109
-	-	-	1,725	31,703	49,689
-	-	-	-	8,657	26,919
<u>\$ 19,800</u>	<u>\$ 106,272</u>	<u>\$ 201,214</u>	<u>\$ 318,728</u>	<u>\$ 1,529,399</u>	<u>\$ 5,825,724</u>
\$ -	\$ -	\$ 13,162	\$ 22,038	\$ 545,290	\$ 580,490
8,370	5,927	174,702	296,690	128,976	781,856
357	-	-	-	48,464	49,689
-	-	-	-	7,243	71,410
<u>8,727</u>	<u>5,927</u>	<u>187,864</u>	<u>318,728</u>	<u>729,973</u>	<u>1,483,445</u>
-	-	-	-	35,645	559,493
-	-	-	-	35,645	559,493
-	-	-	-	8,657	8,657
-	-	13,350	-	631,178	644,528
11,073	100,345	-	-	123,965	310,841
-	-	-	-	(19)	2,818,760
<u>11,073</u>	<u>100,345</u>	<u>13,350</u>	<u>-</u>	<u>763,781</u>	<u>3,782,786</u>
<u>\$ 19,800</u>	<u>\$ 106,272</u>	<u>\$ 201,214</u>	<u>\$ 318,728</u>	<u>\$ 1,529,399</u>	<u>\$ 5,825,724</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 3,782,786
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	15,559,242
Certain revenues are not available to pay current period expenditures and therefore, are reported as deferred inflows in the governmental funds.	530,812
Payables for accrued interest on long-term liabilities and accrued compensated absences are not due in the current period and therefore, are not reported in the governmental funds.	(186,481)
Payables for long-term liabilities, including certificates of obligations and capital leases, are not due in the current period and therefore, are not reported in the governmental funds.	<u>(12,331,979)</u>
Net position of governmental activities	<u>\$ 7,354,380</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 5,406,740	\$ -	\$ -
General sales and use taxes	998,439	-	-
Selective sales and use taxes	10,131	-	-
Fees, licenses, and permits	236,415	103,384	136,046
Charges for services	705,135	-	-
Fines and forfeitures	100,483	-	-
Intergovernmental revenue and grants	162,766	6,737	8,864
Contributions and donations from private sources	12,056	2,939	45,218
Payments in lieu of taxes	33,717	-	-
Investment earnings	3,534	1	1
Other revenue	30,037	-	528
Total revenues	<u>7,699,453</u>	<u>113,061</u>	<u>190,657</u>
<b>EXPENDITURES</b>			
General government	2,475,355	-	-
Judicial and law enforcement	3,587,408	-	-
Highways and streets	112,207	260,498	419,557
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	167,442	3,750	38,390
Debt service			
Principal	-	84,453	278,190
Interest	-	1,178	2,910
Total expenditures	<u>6,342,412</u>	<u>349,879</u>	<u>739,047</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
OVER EXPENDITURES	<u>1,357,041</u>	<u>(236,818)</u>	<u>(548,390)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	2,250	750	2,525
Proceeds from capital leases	41,994	3,750	186,475
Transfers in	37,910	302,646	380,508
Transfers out	(1,455,509)	-	(868)
Net other financing sources (uses)	<u>(1,373,355)</u>	<u>307,146</u>	<u>568,640</u>
<b>NET CHANGE IN FUND BALANCE</b>	(16,314)	70,328	20,250
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,835,093</u>	<u>4,529</u>	<u>(19,649)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,818,779</u>	<u>\$ 74,857</u>	<u>\$ 601</u>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	FEMA Grant	CETRZ Grant	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 926,054	\$ 6,332,794
-	-	-	-	-	998,439
-	-	-	-	47,315	57,446
157,823	146,929	-	-	242,598	1,023,195
-	-	-	-	89,874	795,009
-	-	-	-	142,019	242,502
10,282	9,573	79,912	310,459	2,106,773	2,695,366
1,304	5,000	-	-	2,036	68,553
-	-	-	-	-	33,717
1	5	-	-	371	3,913
2,189	444	-	-	11,224	44,422
<u>171,599</u>	<u>161,951</u>	<u>79,912</u>	<u>310,459</u>	<u>3,568,264</u>	<u>12,295,356</u>
-	-	-	-	215,809	2,691,164
-	-	70,950	-	846,902	4,505,260
487,725	379,759	-	312,184	76,877	2,048,807
-	-	-	-	318,006	318,006
-	-	-	-	-	-
-	-	-	-	604,120	604,120
-	6,296	-	-	272,268	488,146
103,863	137,737	-	-	380,978	985,221
1,921	1,891	-	-	592,859	600,759
<u>593,509</u>	<u>525,683</u>	<u>70,950</u>	<u>312,184</u>	<u>3,307,819</u>	<u>12,241,483</u>
<u>(421,910)</u>	<u>(363,732)</u>	<u>8,962</u>	<u>(1,725)</u>	<u>260,445</u>	<u>53,873</u>
-	-	-	-	-	5,525
-	-	-	-	4,200	236,419
432,416	406,462	4,388	1,725	579,529	2,145,584
(357)	-	-	-	(688,850)	(2,145,584)
<u>432,059</u>	<u>406,462</u>	<u>4,388</u>	<u>1,725</u>	<u>(105,121)</u>	<u>241,944</u>
10,149	42,730	13,350	-	155,324	295,817
924	57,615	-	-	608,457	3,486,969
<u>\$ 11,073</u>	<u>\$ 100,345</u>	<u>\$ 13,350</u>	<u>\$ -</u>	<u>\$ 763,781</u>	<u>\$ 3,782,786</u>

See accompanying notes to the financial statements.

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**HOUSTON 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, 2014**

Net change in fund balance - governmental funds	\$	295,817
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the statement of activities.		488,146
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.		(1,112,386)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		69,524
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.		985,221
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals) decreases net position.		(2,250)
Proceeds from the issuance of long-term debt (e.g. bonds, leases) do not provide revenue in the statement of activities, but are reported as current resources in the governmental funds.		(236,419)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.		(84,548)
Amount represents the change in financing activity from the beginning of the period to the end of the period.		<u>11,536</u>
Change in net position of governmental activities	\$	<u>414,641</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2014**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,403,812
<b>TOTAL ASSETS</b>	<u>\$ 1,403,812</u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 1,038,522
Due to other units	<u>365,290</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,403,812</u>

See accompanying notes to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

The financial statements of Houston County, Texas (the “County”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“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 more significant accounting and reporting policies used by the County are discussed below.

**Reporting Entity**

Houston County, Texas (the “County”) is a public corporation and political subdivision of the State of Texas. The County is governed by an elected Commissioners’ Court, comprised of the County Judge and four Commissioners. The County provides the following services as authorized by the laws of the State of Texas: general government (e.g. tax collection), judicial (courts, juries, district attorney, etc.), law enforcement (sheriff, jail, etc.), highways and streets, and public welfare (e.g. juvenile services and assistance to indigents).

For financial reporting purposes, based on standards established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, these financial statements should present the County (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading. The County does not have any blended or discretely presented component units.

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the activities of the County as a whole. *Governmental activities* include programs normally supported by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

**New Accounting Pronouncements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), establishes reporting standards for public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The County has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (“GASB 70”), establishes accounting and financial reporting standards related to local governments that extend and receive nonexchange financial guarantees. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The County has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (“GASB 71”), eliminates the source of a potential understatement of restated beginning net position and expense in the first year of implementation of GASB 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The County has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and donations are recognized as revenue in the fiscal year in which grantor eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The County considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

Major governmental fund revenue sources susceptible to accrual include: sales and use taxes, property taxes, and investment income. In general, all other revenue items are considered to be measurable and available only when cash is received. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The County’s funds are classified as either governmental or fiduciary and are described below.

*Governmental Funds.* Governmental funds are used to account for all or most of a government’s general activity.

The *general fund* is the County’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of revenues include local property taxes, fines, fees, license and permits, and intergovernmental revenue and grants. Expenditures include general government; judicial; public safety; and health and welfare.

The *debt service fund* is used to account for the collection of interest and sinking funds collected and expenditures for the payment of the County’s certificates of obligation.

*Special revenue funds* are used to account for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

*Fiduciary funds* account for assets held by a government in a trustee or agency capacity on behalf of others.

*Agency funds* are used to account for assets received and held for the benefit of other funds, individuals, or organizations. Agency funds held by the county function as clearing accounts and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

As of September 30, 2014, the general fund, FEMA grant fund, and CETRZ grant fund are reported as major governmental funds. Additionally, the County has elected to present the road and bridge funds for precincts 1, 2, 3, and 4 as major funds due to their significance within the County.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the County's policy to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the County that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

#### **Assets, Liabilities, and Net Position or Fund Balance**

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

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, certificates of deposit, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at fair value.

Certificates of deposit consist of deposits with original maturities greater than three months. Certificates of deposit are recorded at cost, which approximates market value at September 30, 2014.

The County is required by the Public Funds Collateral Act (Government Code, chapter 2257) to maintain security for all deposits of funds that exceed coverage provided by the Federal Deposit Insurance Corporation (FDIC). As of the balance sheet date, the County's cash deposits were fully collateralized by securities pledged by the depository banks. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the County appears to have complied with the requirements of the Public Funds Collateral Act.

The County is required by the Public Funds Investment Act (Government Code, chapter 2256) (the "Act") to adopt, implement, and publicize a written investment policy which primarily emphasizes safety of principal and liquidity, and addresses investment diversification, yield, and maturity. Additionally, the policy must address the quality and capability of investment management and include the types of investments in which the entity may invest its funds, as well as the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio of pooled fund groups, and bid requirements for certificates of deposit.

The County is authorized to invest in financial instruments, as authorized by the Act, including:

- U.S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America;

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

- obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent;
- fully insured or collateralized certificates of deposit at commercial banks;
- repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement;
- joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (the pool must be continuously rated no lower than “AAA” or “AAA-m” by at least one nationally recognized rating service).

The Act also requires an annual audit of investment practices. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the County appears to have complied with the requirements of the Public Funds Investment Act.

**Fair Value of Financial Instruments**

The County evaluates the fair value of its non-investment financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. The carrying value of all non-investment financial instruments, including debt, is considered to approximate fair value.

**Receivables**

Property tax receivables reflect outstanding and delinquent property tax levies and are shown net of an allowance for uncollectibles. The property tax receivable allowance is calculated based on historical collection rates.

**Restricted Assets**

Certain assets are classified as restricted because they are maintained in separate accounts and their use is limited by applicable bond covenants, grant agreements, laws or regulations, and/or other contractual agreements.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets, Depreciation, and Amortization**

The County’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the applicable governmental type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

Infrastructure assets are a subset of capital assets and primarily consist of roads and bridges. GASB No. 34 encourages but does not require Phase 3 governments (counties with revenues of less than \$10 million) to retroactively report major general infrastructure assets. New roads and bridges acquired after October 1, 2003 are required to be reported. No capital expenditures for roads or bridges were made during the year.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The estimated useful lives of the County's capital assets are as follows:

Buildings and improvements	5 to 40 years
Office furniture and equipment	3 to 10 years
Other equipment and rolling stock	3 to 10 years
Infrastructure	20 years

**Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position 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 one item of this type, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes is reported only on the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Compensated Absences**

A liability for unused vacation time, comp time, and holiday pay for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- Leave or compensation is attributable to services already rendered;
- Leave or compensation is not contingent on a specific event (such as illness).

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the bond premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financial sources and as capital outlay in the acquiring fund. Lease payments representing both principal and interest are recorded as expenditures in the applicable fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**Net Position and Fund Balances**

In the government-wide financial statements, the difference between the County's total assets and total liabilities represents net position. Net position is displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. At September 30, 2014, restricted net position represents monies that are legally restricted for payment of debt service, law enforcement costs, grant costs, or other activities for which special assessments or revenues have been received. Restricted net position also includes time deposits held as collateral by lenders. Unrestricted net position represents the net assets available for future operations.

In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes due to constraints imposed on resources either (a) externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Commissioners' Court – the government's highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Commissioners' Court.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all other spendable amounts.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets and Budgetary Process**

The County Judge submits an annual budget to the Commissioners Court for review and approval prior to September of the upcoming fiscal year. Routinely, several budget workshops are held in which the original budget is reviewed and possibly revised. In September, the Commissioners Court and County Judge adopt the annual budget for the General Fund and selected Special Revenue funds.

A proposed annual operating budget is filed by the County Judge and Commissioners' Court with the County Clerk's office and made available for public inspection at least 15 days prior to public budget hearing. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted by the Commissioners' Court on or before October 1, as required by statute. Only the Commissioners' Court may amend the budget. Under state statute, actual expenditures cannot exceed budgetary appropriations at any level for which the budget is formally approved. Budgets are adopted for all funds except the fiduciary funds.

Subsequent to approval, the Commissioners Court and County Judge may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures. The County amended its budget several times during the year, with all budget amendments being approved by an act of the Commissioners Court.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**DETAILED NOTES ON ALL FUNDS**

**ASSETS**

**Deposits and Investments**

*Interest Rate Risk.* In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the maturity of any single investment to twelve months or less.

*Credit Risk.* State law and the County's investment policy limit investments to obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

*Custodial Credit Risk – Deposits.* 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. The County's investment policy requires funds on deposit at depository banks to be collateralized. As of September 30, 2014, the County's cash deposits with depository banks totaled \$5,170,645. Included in the balances are certificates of deposit totaling \$1,576,094 and agency funds in the amount of \$1,466,878. All deposits were fully collateralized by securities pledged by the depository banks with total collateral value of \$7,564,599, in addition to FDIC coverage.

**Receivables**

*Receivable and Uncollectible Accounts.* Receivables at year end for the County's individual major funds, including the related allowances for uncollectible accounts are as follows:

	Property Taxes	Sales Taxes	Grants	Other	Totals
Receivables by fund					
General fund	\$ 549,536	\$ 188,659	\$ 28,687	\$ 69,921	\$ 836,803
Road and bridge	-	-	-	75	75
FEMA fund	-	-	188,052	-	188,052
CETRZ fund	-	-	312,447	-	312,447
Nonmajor funds	<u>37,390</u>	<u>-</u>	<u>219,272</u>	<u>12,113</u>	<u>268,775</u>
Total receivables, gross	<u>586,926</u>	<u>188,659</u>	<u>748,458</u>	<u>82,109</u>	<u>1,606,152</u>
Allowance for for uncollectibles	<u>(29,346)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,346)</u>
Total receivables, net	<u>\$ 557,580</u>	<u>\$ 188,659</u>	<u>\$ 748,458</u>	<u>\$ 82,109</u>	<u>\$ 1,576,806</u>

*Property Taxes.* Property taxes attach as an enforceable lien on property as of January 1. Property taxes are due October 1 and become delinquent January 31. The combined tax rate to finance general governmental services and principal and interest on general long term debt for the year ended September 30, 2014, was \$.465 per \$100 of assessed valuation. Of this rate, \$.06868 was allocated to debt service and \$.39632 was allocated to maintenance and operation.

Of the \$586,926 in property taxes receivable, \$396,605 represents the outstanding balances of assessments for tax years 2012 and prior.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2014, is as follows:

	<u>Balance</u> <u>09/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2014</u>
Capital assets, not being depreciated				
Land	\$ 140,320	\$ -	\$ -	\$ 140,320
Construction in progress	<u>64,064</u>	<u>21,458</u>	<u>(64,064)</u>	<u>21,458</u>
Total not being depreciated	<u>204,384</u>	<u>21,458</u>	<u>(64,064)</u>	<u>161,778</u>
Capital assets, being depreciated				
Buildings and improvements	17,942,096	253,386	-	18,195,482
Infrastructure	67,652	5,140	-	72,792
Rolling stock	6,339,638	265,426	(62,034)	6,543,030
Furniture and equipment	<u>1,540,150</u>	<u>11,924</u>	<u>-</u>	<u>1,552,074</u>
Total being depreciated	<u>25,889,536</u>	<u>535,876</u>	<u>(62,034)</u>	<u>26,363,378</u>
Less accumulated depreciation:				
Buildings and improvements	(4,157,050)	(566,561)	-	(4,723,611)
Infrastructure	(6,630)	(3,618)	-	(10,248)
Rolling stock	(4,535,003)	(460,500)	54,661	(4,940,842)
Furniture and equipment	<u>(1,209,506)</u>	<u>(81,707)</u>	<u>-</u>	<u>(1,291,213)</u>
Total accumulated depreciation	<u>(9,908,189)</u>	<u>(1,112,386)</u>	<u>54,661</u>	<u>(10,965,914)</u>
Total being depreciated, net	<u>15,981,347</u>	<u>(576,510)</u>	<u>(7,373)</u>	<u>15,397,464</u>
Total capital assets, net	<u>\$ 16,185,731</u>	<u>\$ (555,052)</u>	<u>\$ (71,437)</u>	\$ 15,559,242
				Less associated debt <u>(12,331,979)</u>
				Invested in capital assets, net of related debt <u>\$ 3,227,263</u>

Depreciation expense was charged to the following functions/programs of governmental activities as follows:

General government	\$ 62,933
Judicial and law enforcement	605,649
Highways and streets	369,031
Health and welfare	11,519
Culture and recreation	<u>63,254</u>
Total	<u>\$ 1,112,386</u>

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**LIABILITIES**

**Capital Leases**

The County has entered into lease agreements as lessee for financing the acquisition of machinery and equipment and vehicles. The agreements accrue interest at rates from 1.02% to 3.25% and are all for durations greater than one year. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Asset:				
Rolling stock	\$ 57,250	\$ 750,080	\$ 17,935	\$ 825,265
Less accumulated depreciation	<u>(5,302)</u>	<u>(280,738)</u>	<u>(5,082)</u>	<u>(291,122)</u>
Total	<u>\$ 51,948</u>	<u>\$ 469,342</u>	<u>\$ 12,853</u>	<u>\$ 534,143</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

<u>Year ending September 30,</u>	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
2015	\$ 17,016	\$ 172,967	\$ 7,616	\$ 197,599
2016	16,844	81,618	1,429	99,890
2017	16,671	36,155	1,414	54,241
2018	-	31,285	-	31,285
2019	-	30,965	-	30,965
2020 - 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	\$ 50,531	\$ 352,990	\$ 10,459	\$ 413,980
Less amount representing interest	<u>(1,037)</u>	<u>(7,463)</u>	<u>(281)</u>	<u>(8,781)</u>
Present value of minimum lease payments	<u>\$ 49,494</u>	<u>\$ 354,527</u>	<u>\$ 10,178</u>	<u>\$ 405,199</u>

**Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2014, was as follows:

	<u>Balance 09/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/14</u>	<u>Due Within One Year</u>
2008 Certificates	\$ 12,130,000	\$ -	\$ (375,000)	\$ 11,755,000	\$ 390,000
Capital leases	<u>779,000</u>	<u>236,419</u>	<u>(610,221)</u>	<u>405,199</u>	<u>193,197</u>
	\$ 12,909,000	\$ 236,419	\$ (985,221)	\$ 12,160,199	\$ 583,197
Unamortized premium	<u>181,324</u>	<u>-</u>	<u>(9,542)</u>	<u>171,780</u>	<u>-</u>
Total long- term liabilities	<u>\$ 13,090,324</u>	<u>\$ 236,419</u>	<u>\$ (994,763)</u>	<u>\$ 12,331,979</u>	<u>\$ 583,197</u>

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

The annual debt service requirements to maturity for long-term debt (excluding the unamortized bond premium) are as follows:

Year Ending September 30,	Certificates of Obligation		Capital Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 390,000	\$ 576,214	\$ 193,197	\$ 4,402	\$ 583,197	\$ 580,616
2016	405,000	559,320	97,669	2,221	502,669	561,541
2017	425,000	542,214	53,043	1,198	478,043	543,412
2018	445,000	524,258	30,645	640	475,645	524,898
2019	460,000	504,681	30,645	320	490,645	505,001
2020-2024	2,685,000	2,150,431	-	-	2,685,000	2,150,431
2025-2029	3,455,000	1,380,917	-	-	3,455,000	1,380,917
2030-2034	<u>3,490,000</u>	<u>378,263</u>	<u>-</u>	<u>-</u>	<u>3,490,000</u>	<u>378,263</u>
Totals	<u>\$11,755,000</u>	<u>\$ 6,616,298</u>	<u>\$ 405,199</u>	<u>\$ 8,781</u>	<u>\$12,160,199</u>	<u>\$ 6,625,079</u>

At year end, the County had cash totaling \$70,988 available in the debt service fund to service long-term debt.

Bonds and other debt payable at September 30, 2014, are comprised of the following:

*Certificates of Obligation, Series 2008.* On August 15, 2008, the County issued \$13,499,998 of certificates of obligation. The bonds were issued as follows: \$14,998 of capital appreciation certificates maturing in February, 2009 and a yield to maturity of 2.350%; \$8,580,000 of current interest serial certificates bearing interest at rates of 4.000% to 5.250% and maturing from 2010 to 2029; and \$4,905,000 of current interest term certificates bearing interest at rates of 5.125% to 5.250% with maturities of 2028 and 2033. The term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates beginning in 2027 and 2030. The proceeds were used to construct and equip a new county jail. The certificates were issued with a reoffering premium of \$229,040. The premium is reported on the statement of net position and is being amortized over the life of the bonds as a component of interest expense.

The bonds are secured by the County's ad valorem taxes and require annual payments of principal and semi-annual payments of interest at varying amounts. The bond indenture allows the County to pay the bonds from the proceeds of an additional ad valorem tax that may be levied by the County, and the County has pledged any such proceeds to secure the payment. The bonds have been recorded in the debt service fund.

*Capital Leases.* The County has entered into various lease purchase agreements for the purpose of purchasing equipment. During the year, the County paid-off two existing leases and incurred two new leases. The agreements accrue interest at rates from 1.02% to 3.25% and are all for durations greater than one year. Each lease purchase is collateralized by the equipment that each respective agreement serves to finance as well as certificates of deposit totaling \$1,576,094 held at the County's financial institution.

**Bond Compliance Requirements**

The bond ordinances require that during the period in which the bonds are outstanding, the County must create and maintain certain accounts or funds to receive the proceeds from the sale of the bonds and to account for the revenues (as defined) and/or taxes, which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**Interfund Receivables, Payables, and Transfers**

*Interfund Balances.* Interfund receivable and payable balances are the result of cash needed by a special revenue fund until the fund is able to generate sufficient revenues to cover expenditures. These receivables and payables are netted and eliminated on the government-wide statement of net position. Interfund receivable and payable balances at September 30, 2014 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 16,261	\$ -
Road and Bridge Precinct No. 2	-	(868)
Road and Bridge Precinct No. 3	-	(357)
CETRZ Grant	1,725	-
Nonmajor	<u>31,703</u>	<u>(48,464)</u>
Totals	<u>\$ 49,689</u>	<u>\$ (49,689)</u>

*Interfund Transfers.* Transfers between funds are indicative of funding for capital projects; lease payments or debt service; subsidies of various County operations; and re-allocations of special revenues. The following schedule summarizes the County's transfers at September 30, 2014:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 37,910	\$ (1,455,509)
Road and Bridge Precinct No. 1	302,646	-
Road and Bridge Precinct No. 2	380,508	868
Road and Bridge Precinct No. 3	432,416	357
Road and Bridge Precinct No. 4	406,462	-
FEMA Grant	4,388	-
CETRZ Grant	1,725	-
Nonmajor	<u>579,529</u>	<u>(688,850)</u>
Totals	<u>\$ 2,145,584</u>	<u>\$ (2,145,584)</u>

**OTHER INFORMATION**

**Pension Plan**

The County provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with 8 or more years of service, with 30 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 the County.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

*Funding Policy.* Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate, as explained below. The contribution rate was 6.60% for the months in calendar year 2013 and 6.96% for the months in calendar year 2014.

*Annual Pension Cost.* For 2014, the County's annual pension cost of \$289,234 for TCDRS was equal to the County's required contributions.

*Three-Year Trend Information*

<u>Accounting Year Ending</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/12	\$260,704	100%	-
09/30/13	\$271,199	100%	-
09/30/14	\$289,234	100%	-

The required contribution was determined as part of the December 31, 2013, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013, included (a) 8.0% percent investment rate of return (net of investment expenses), and (b) projected salary increases of 4.9%. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2013, was 20 years. This actuarial information is summarized below.

*Contribution Information*

	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period in Years	20.0 years	20.0 years	20.0 years
Asset Valuation Method:			
Subdivision Accumulation Fund	10-year Smoothed Value	10-year Smoothed Value	5-year Smoothed Value
Employee Saving Fund	Fund Value	Fund Value	Fund Value

*Actuarial Assumptions*

Investment Return (1)	8.0%	8.0%	8.0%
Projected Salary Increases (1)	5.4%	5.4%	4.9%
Inflation Rate	3.5%	3.5%	3.0%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

(1) Includes inflation at the stated rate.

*Funded Status and Funding Progress.* As of December 31, 2013, the most recent actuarial valuation date, the plan was 90.83% funded. The actuarial accrued liability for benefits was \$9,488,938, and the actuarial value of assets was \$8,618,821, resulting in an unfunded actuarial accrued liability (UAAL) of \$870,117. The

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

covered payroll (annual payroll of active employees covered by the plan) was \$4,168,177, and the ratio of the UAAL to the covered payroll was 20.88%.

The schedule of funding progress, presented as Required Supplementary Information (“RSI”) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Risk Management**

The 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. The County provides insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this coverage during the current year.

**Contingent Liabilities**

All amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may be required to be repaid to the granting agency. Amounts payable by the County in its capacity as a pass-through grantor have been accrued along with an offsetting grant receivable (i.e. should expenditures claimed by subrecipients be disallowed by the granting agency(ies), no liability to the County would exist). 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.

**Subsequent Events**

Management has evaluated subsequent events through June 29, 2015, the date when the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ 5,304,228	\$ 5,304,228	\$ 5,406,740	\$ 102,512
General sales and use taxes	790,000	790,000	998,439	208,439
Selective sales and use taxes	5,500	5,500	10,131	4,631
Fees, licenses, and permits	254,250	254,286	236,415	(17,871)
Charges for services	622,968	622,968	705,135	82,167
Fines and forfeitures	104,500	104,500	100,483	(4,017)
Intergovernmental revenue and grants	176,643	173,648	162,766	(10,882)
Contributions and donations from private sources	700	10,760	12,056	1,296
Payments in lieu of taxes	33,000	33,000	33,717	717
Investment earnings	4,011	4,011	3,534	(477)
Other revenue	725,655	728,836	30,037	(698,799)
Total revenues	<u>8,021,455</u>	<u>8,031,737</u>	<u>7,699,453</u>	<u>(332,284)</u>
<b>EXPENDITURES</b>				
General government				
County judge	139,255	140,068	124,166	15,902
County commissioners	250,733	250,733	250,567	166
County clerk	131,330	136,980	131,884	5,096
Information technology	60,245	60,245	41,677	18,568
Non-departmental	653,603	563,241	535,669	27,572
Human resources	5,645	6,245	6,092	153
District clerk	173,966	176,366	175,802	564
County juvenile board	17,328	17,328	17,309	19
Elections	35,136	41,742	38,704	3,038
County auditor	160,369	161,514	157,271	4,243
County treasurer	130,122	130,342	123,115	7,227
County tax assessor-collector	362,594	353,305	330,516	22,789
Courthouse	164,750	149,850	145,087	4,763
Insurance	125,236	108,360	95,484	12,876
Utilities	234,000	234,000	228,717	5,283
Equipment & supplies	25,000	22,277	5,759	16,518
Motor pool	15,171	10,261	9,648	613
Community service restitution	60,414	60,444	57,888	2,556
Unclaimed funds	4,355	4,355	-	4,355
Total general government	<u>2,749,252</u>	<u>2,627,656</u>	<u>2,475,355</u>	<u>152,301</u>
Judicial and law enforcement				
County court at law	282,700	284,485	283,020	1,465
District court	94,267	94,267	90,261	4,006
Justice of the peace, Pct No. 1	111,068	111,077	110,098	979
Justice of the peace, Pct No. 2	111,426	111,515	110,597	918
County attorney	291,120	296,920	279,306	17,614
District attorney	230,656	232,416	225,663	6,753
County constable, Pct No. 1	37,481	42,517	38,207	4,310
County constable, Pct No. 2	36,312	36,276	26,617	9,659
Sheriff	1,329,674	1,333,939	1,292,343	41,596
Jail	1,070,971	1,077,871	1,056,388	21,483

**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
Judicial and law enforcement (continued)				
Department of public safety	37,189	37,720	37,513	207
Bail bond board	3,951	3,951	1,281	2,670
District attorney salary supplement	34,562	36,810	34,578	2,232
12th court of appeals	<u>1,500</u>	<u>1,536</u>	<u>1,536</u>	<u>-</u>
Total judicial and law enforcement	3,672,877	3,701,300	3,587,408	113,892
Culture and recreation				
Veteran services officer	32,116	32,216	30,852	1,364
County extension service	87,727	87,927	76,359	11,568
Texas parks and wildlife	700	700	641	59
Historical commission	<u>20,745</u>	<u>20,745</u>	<u>4,355</u>	<u>16,390</u>
Total culture and recreation	141,288	141,588	112,207	29,381
Capital outlay				
Non-departmental	-	-	11,924	(11,924)
Community service restitution	15,000	15,000	17,632	(2,632)
County constable, Pct No. 1	8,500	35,494	32,287	3,207
Sheriff	<u>99,000</u>	<u>99,331</u>	<u>105,599</u>	<u>(6,268)</u>
Total capital outlay	122,500	149,825	167,442	(17,617)
Debt service				
Principal	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,685,917</u>	<u>6,620,369</u>	<u>6,342,412</u>	<u>277,957</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,335,538</u>	<u>1,411,368</u>	<u>1,357,041</u>	<u>(54,327)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	5,000	5,000	2,250	(2,750)
Proceeds from notes/capital leases	15,000	41,994	41,994	-
Transfers in	37,496	39,744	37,910	(1,834)
Transfers out	<u>(1,393,034)</u>	<u>(1,498,106)</u>	<u>(1,455,509)</u>	<u>42,597</u>
Net other financing sources (uses)	<u>(1,335,538)</u>	<u>(1,411,368)</u>	<u>(1,373,355)</u>	<u>38,013</u>
NET CHANGE IN FUND BALANCE	-	-	(16,314)	(16,314)
FUND BALANCE - BEGINNING OF YEAR	<u>2,835,093</u>	<u>2,835,093</u>	<u>2,835,093</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,835,093</u>	<u>\$ 2,835,093</u>	<u>\$ 2,818,779</u>	<u>\$ (16,314)</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 1**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	116,100	116,100	103,384	(12,716)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	6,600	6,600	6,737	137
Contributions and donations from private sources	-	-	2,939	2,939
Payments in lieu of taxes	-	-	-	-
Investment earnings	10	10	1	(9)
Other revenue	-	-	-	-
<b>Total revenues</b>	<b>122,710</b>	<b>122,710</b>	<b>113,061</b>	<b>(9,649)</b>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	291,842	325,217	260,498	64,719
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	3,750	(3,750)
Debt service				
Principal	42,775	98,345	84,453	13,892
Interest	1,281	1,795	1,178	617
<b>Total expenditures</b>	<b>335,898</b>	<b>425,357</b>	<b>349,879</b>	<b>75,478</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES</b>	<b>(213,188)</b>	<b>(302,647)</b>	<b>(236,818)</b>	<b>65,829</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	750	750
Proceeds from notes/capital leases	-	-	3,750	3,750
Transfers in	213,188	302,647	302,646	(1)
Transfers out	-	-	-	-
<b>Net other financing sources (uses)</b>	<b>213,188</b>	<b>302,647</b>	<b>307,146</b>	<b>4,499</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>70,328</b>	<b>70,328</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>4,529</b>	<b>4,529</b>	<b>4,529</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 4,529</b>	<b>\$ 4,529</b>	<b>\$ 74,857</b>	<b>\$ 70,328</b>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 2**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	151,000	151,000	136,046	(14,954)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	8,600	8,600	8,864	264
Contributions and donations from private sources	-	43,719	45,218	1,499
Payments in lieu of taxes	-	-	-	-
Investment earnings	50	50	1	(49)
Other revenue	40,000	-	528	528
Total revenues	199,650	203,369	190,657	(12,712)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	409,165	456,001	419,557	36,444
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	29,500	38,390	(8,890)
Debt service				
Principal	83,288	124,966	278,190	(153,224)
Interest	2,871	2,910	2,910	-
Total expenditures	495,324	613,377	739,047	(125,670)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(295,674)	(410,008)	(548,390)	(138,382)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	2,525	2,525
Proceeds from notes/capital leases	15,000	29,500	186,475	156,975
Transfers in	280,674	380,508	380,508	-
Transfers out	-	-	(868)	(868)
Net other financing sources (uses)	295,674	410,008	568,640	158,632
<b>NET CHANGE IN FUND BALANCE</b>	-	-	20,250	20,250
<b>FUND BALANCE - BEGINNING OF YEAR</b>	(19,649)	(19,649)	(19,649)	-
<b>FUND BALANCE - END OF YEAR</b>	\$ (19,649)	\$ (19,649)	\$ 601	\$ 20,250

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 3**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	170,000	170,000	157,823	(12,177)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,974	9,974	10,282	308
Contributions and donations from private sources	-	1,300	1,304	4
Payments in lieu of taxes	-	-	-	-
Investment earnings	20	20	1	(19)
Other revenue	35,000	-	2,189	2,189
Total revenues	<u>214,994</u>	<u>181,294</u>	<u>171,599</u>	<u>(9,695)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	475,998	509,557	487,725	21,832
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	62,186	103,864	103,863	1
Interest	2,018	1,915	1,921	(6)
Total expenditures	<u>540,202</u>	<u>615,336</u>	<u>593,509</u>	<u>21,827</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(325,208)</u>	<u>(434,042)</u>	<u>(421,910)</u>	<u>12,132</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	2,000	-	(2,000)
Proceeds from notes/capital leases	-	-	-	-
Transfers in	325,208	432,042	432,416	374
Transfers out	-	-	(357)	(357)
Net other financing sources (uses)	<u>325,208</u>	<u>434,042</u>	<u>432,059</u>	<u>(1,983)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	10,149	10,149
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>924</u>	<u>924</u>	<u>924</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 924</u>	<u>\$ 924</u>	<u>\$ 11,073</u>	<u>\$ 10,149</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 4**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	162,500	162,500	146,929	(15,571)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,275	9,275	9,573	298
Contributions and donations from private sources	-	-	5,000	5,000
Payments in lieu of taxes	-	-	-	-
Investment earnings	50	50	5	(45)
Other revenue	-	-	444	444
Total revenues	<u>171,825</u>	<u>171,825</u>	<u>161,951</u>	<u>(9,874)</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	441,863	503,622	379,759	123,863
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	6,296	(6,296)
Debt service				
Principal	96,059	137,737	137,737	-
Interest	1,994	1,891	1,891	-
Total expenditures	<u>539,916</u>	<u>643,250</u>	<u>525,683</u>	<u>117,567</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(368,091)</u>	<u>(471,425)</u>	<u>(363,732)</u>	<u>107,693</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	303,091	406,425	406,462	37
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>303,091</u>	<u>406,425</u>	<u>406,462</u>	<u>37</u>
<b>NET CHANGE IN FUND BALANCE</b>	(65,000)	(65,000)	42,730	107,730
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>57,615</u>	<u>57,615</u>	<u>57,615</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (7,385)</u>	<u>\$ (7,385)</u>	<u>\$ 100,345</u>	<u>\$ 107,730</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FEMA GRANT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	102,450	102,450	79,912	(22,538)
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	102,450	102,450	79,912	(22,538)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	102,450	102,450	70,950	31,500
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	102,450	102,450	70,950	31,500
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	-	-	8,962	8,962
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	-	-	4,388	4,388
Transfers out	-	-	-	-
Net other financing sources (uses)	-	-	4,388	4,388
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	13,350	13,350
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>				
	\$ -	\$ -	\$ 13,350	\$ 13,350

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**CETRZ GRANT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	-	878,924	310,459	(568,465)
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	-	878,924	310,459	(568,465)
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	-	880,649	312,184	568,465
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	880,649	312,184	568,465
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	-	(1,725)	(1,725)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	-	1,725	1,725	-
Transfers out	-	-	-	-
Net other financing sources (uses)	-	1,725	1,725	-
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>				
	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS OF PENSION PLAN -**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

The following schedule presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2006	\$ 4,421,502	\$ 4,485,893	98.56 %	\$ 64,391	\$ 2,724,219	2.36 %
12/31/2007	4,586,331	4,751,019	96.53	164,688	3,120,254	5.28
12/31/2008	4,816,818	5,344,231	90.13	527,413	3,422,378	15.41
12/31/2009	5,589,696	6,144,859	90.97	555,163	3,667,989	15.14
12/31/2010	6,098,317	6,777,400	89.98	679,083	3,694,203	18.38
12/31/2011	6,820,211	7,628,225	89.41	808,014	3,874,754	20.85
12/31/2012	7,647,045	8,636,834	88.54	989,789	4,092,689	24.18
12/31/2013	8,618,821	9,488,938	90.83	870,117	4,168,177	20.88

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**SUPPLEMENTARY INFORMATION**

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**COMBINING FUND STATEMENTS**

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**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	<u>Debt Service Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 70,988	\$ 1,149,276	\$ 1,220,264
Receivables			
Property taxes	37,390	-	37,390
Grants	-	219,272	219,272
Other - miscellaneous	-	12,113	12,113
Due from other funds	-	31,703	31,703
Prepaid items	-	8,657	8,657
<b>TOTAL ASSETS</b>	<u>\$ 108,378</u>	<u>\$ 1,421,021</u>	<u>\$ 1,529,399</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ 545,290	\$ 545,290
Accounts payable	-	128,976	128,976
Due to other funds	48,404	60	48,464
Unearned revenues	-	7,243	7,243
Total liabilities	<u>48,404</u>	<u>681,569</u>	<u>729,973</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	<u>35,645</u>	<u>-</u>	<u>35,645</u>
Total deferred inflows of resources	<u>35,645</u>	<u>-</u>	<u>35,645</u>
Fund balances			
Nonspendable	-	8,657	8,657
Restricted	24,329	606,849	631,178
Assigned	-	123,965	123,965
Unassigned	-	(19)	(19)
Total fund balances	<u>24,329</u>	<u>739,452</u>	<u>763,781</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 108,378</u>	<u>\$ 1,421,021</u>	<u>\$ 1,529,399</u>

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**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 926,054	\$ -	\$ 926,054
Selective sales and use taxes	-	47,315	47,315
Fees, licenses, and permits	-	242,598	242,598
Charges for services	-	89,874	89,874
Fines and forfeitures	-	142,019	142,019
Intergovernmental revenue and grants	-	2,106,773	2,106,773
Contributions and donations from private sources	-	2,036	2,036
Investment earnings	158	213	371
Other revenue	-	11,224	11,224
Total revenues	<u>926,212</u>	<u>2,642,052</u>	<u>3,568,264</u>
<b>EXPENDITURES</b>			
General government	-	215,809	215,809
Judicial and law enforcement	-	846,902	846,902
Highways and streets	-	76,877	76,877
Health and welfare	-	318,006	318,006
Culture and recreation	-	-	-
Pass-through expenditures	-	604,120	604,120
Capital outlay	-	272,268	272,268
Debt service			
Principal	375,000	5,978	380,978
Interest	592,470	389	592,859
Total expenditures	<u>967,470</u>	<u>2,340,349</u>	<u>3,307,819</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
<b>OVER EXPENDITURES</b>	<u>(41,258)</u>	<u>301,703</u>	<u>260,445</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	4,200	4,200
Transfers in	52,750	526,779	579,529
Transfers out	-	(688,850)	(688,850)
Net other financing sources (uses)	<u>52,750</u>	<u>(157,871)</u>	<u>(105,121)</u>
<b>NET CHANGE IN FUND BALANCE</b>	11,492	143,832	155,324
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>12,837</u>	<u>595,620</u>	<u>608,457</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 24,329</u>	<u>\$ 739,452</u>	<u>\$ 763,781</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2014**

	Jury Fund	Airport Fund	Courthouse Security Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 141,374	\$ 49,931	\$ -
Receivables			
Grants	-	-	-
Other - miscellaneous	6,245	342	-
Due from other funds	3,385	-	1,232
Prepaid items	1,450	4,300	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 152,454</u>	<u>\$ 54,573</u>	<u>\$ 1,232</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ 112,317	\$ 33,117	\$ 1,232
Accounts payable	17,911	1,391	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<u>130,228</u>	<u>34,508</u>	<u>1,232</u>
 <b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund balances</b>			
Nonspendable	1,450	4,300	-
Restricted	20,776	-	-
Assigned	-	15,765	-
Unassigned	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<u>22,226</u>	<u>20,065</u>	<u>-</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	 <u>\$ 152,454</u>	 <u>\$ 54,573</u>	 <u>\$ 1,232</u>

<u>Law Library Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>County &amp; District Court Technology</u>
\$ 1,640	\$ 148,760	\$ 5,584	\$ 8,826	\$ 17,951	\$ 3,130
-	-	-	-	-	-
-	3,398	-	-	-	-
601	-	-	103	439	67
-	-	-	-	-	-
<u>\$ 2,241</u>	<u>\$ 152,158</u>	<u>\$ 5,584</u>	<u>\$ 8,929</u>	<u>\$ 18,390</u>	<u>\$ 3,197</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
831	-	-	-	-	54
-	-	-	-	-	-
-	-	-	-	-	-
<u>831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,410	152,158	-	8,929	18,390	3,143
-	-	5,584	-	-	-
-	-	-	-	-	-
<u>1,410</u>	<u>152,158</u>	<u>5,584</u>	<u>8,929</u>	<u>18,390</u>	<u>3,143</u>
<u>\$ 2,241</u>	<u>\$ 152,158</u>	<u>\$ 5,584</u>	<u>\$ 8,929</u>	<u>\$ 18,390</u>	<u>\$ 3,197</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2014**

	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,277	\$ 467	\$ 38,114
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	75	29	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 5,352</u>	<u>\$ 496</u>	<u>\$ 38,114</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	-	-	-
Assigned	5,352	496	38,114
Unassigned	-	-	-
<b>Total fund balances</b>	<u>5,352</u>	<u>496</u>	<u>38,114</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 5,352</u>	<u>\$ 496</u>	<u>\$ 38,114</u>

<u>Road &amp; Bridge Fines</u>	<u>Records Management &amp; Preservation</u>	<u>Co Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>
\$ 7,118	\$ 25	\$ 79	\$ -	\$ 1,066	\$ 95,599
-	-	-	-	-	-
-	-	-	-	-	-
11,363	634	6,672	125	108	6,660
-	-	-	-	-	-
<u>\$ 18,481</u>	<u>\$ 659</u>	<u>\$ 6,751</u>	<u>\$ 125</u>	<u>\$ 1,174</u>	<u>\$ 102,259</u>
\$ -	\$ -	\$ -	\$ 125	\$ -	\$ -
-	-	15	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>15</u>	<u>125</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
18,481	659	6,736	-	1,174	102,259
-	-	-	-	-	-
-	-	-	-	-	-
<u>18,481</u>	<u>659</u>	<u>6,736</u>	<u>-</u>	<u>1,174</u>	<u>102,259</u>
<u>\$ 18,481</u>	<u>\$ 659</u>	<u>\$ 6,751</u>	<u>\$ 125</u>	<u>\$ 1,174</u>	<u>\$ 102,259</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2014**

	<u>District Clerk Archives</u>	<u>Co Attorney Pre-trial Intervention</u>	<u>Hot Check Fees</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,287	\$ 27,133	\$ 67,756
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	562
Due from other funds	150	-	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 6,437</u>	<u>\$ 27,133</u>	<u>\$ 68,318</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ 13,920
Accounts payable	-	-	-
Due to other funds	-	-	60
Unearned revenues	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>13,980</u>
 <b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	6,437	27,133	-
Assigned	-	-	54,338
Unassigned	-	-	-
<b>Total fund balances</b>	<u>6,437</u>	<u>27,133</u>	<u>54,338</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 6,437</u>	<u>\$ 27,133</u>	<u>\$ 68,318</u>

<u>District Attorney Hot Checks</u>	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>
\$ 394	\$ 2,295	\$ 7,048	\$ 25,976	\$ 5,302	\$ 2,640
-	-	-	-	-	-
-	-	1,489	77	-	-
60	-	-	-	-	-
60	-	-	-	-	985
<u>\$ 514</u>	<u>\$ 2,295</u>	<u>\$ 8,537</u>	<u>\$ 26,053</u>	<u>\$ 5,302</u>	<u>\$ 3,625</u>
\$ 60	\$ -	\$ 1,213	\$ 931	\$ -	\$ -
60	-	649	50	1,320	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>120</u>	<u>-</u>	<u>1,862</u>	<u>981</u>	<u>1,320</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
60	-	-	-	-	985
-	2,295	6,675	25,072	-	2,640
334	-	-	-	3,982	-
-	-	-	-	-	-
<u>394</u>	<u>2,295</u>	<u>6,675</u>	<u>25,072</u>	<u>3,982</u>	<u>3,625</u>
<u>\$ 514</u>	<u>\$ 2,295</u>	<u>\$ 8,537</u>	<u>\$ 26,053</u>	<u>\$ 5,302</u>	<u>\$ 3,625</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2014**

	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Miscellaneous Grants</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,915	\$ 197	\$ 75,627
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	1,750
<b>TOTAL ASSETS</b>	<u>\$ 27,915</u>	<u>\$ 197</u>	<u>\$ 77,377</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ 20,668	\$ 50	\$ 70,293
Accounts payable	4	-	-
Due to other funds	-	-	-
Unearned revenues	7,243	-	-
<b>Total liabilities</b>	<u>27,915</u>	<u>50</u>	<u>70,293</u>
 <b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Fund balances</b>			
Nonspendable	-	-	1,750
Restricted	-	147	5,334
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<u>-</u>	<u>147</u>	<u>7,084</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 27,915</u>	<u>\$ 197</u>	<u>\$ 77,377</u>

<u>Senior Fund</u>	<u>Emergency Management Grant</u>	<u>Homeland Security Grant</u>	<u>Victims Assistance Grant</u>	<u>HAVA Grant</u>	<u>911 Addressing Grant</u>
\$ 96,441	\$ -	\$ -	\$ 2,973	\$ -	\$ -
19,239	33,480	-	4,180	-	4,651
-	-	-	-	-	-
-	-	-	-	-	-
112	-	-	-	-	-
<u>\$ 115,792</u>	<u>\$ 33,480</u>	<u>\$ -</u>	<u>\$ 7,153</u>	<u>\$ -</u>	<u>\$ 4,651</u>
\$ 103,968	\$ 14,200	\$ -	\$ -	\$ -	\$ 4,651
11,653	2,218	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>115,621</u>	<u>16,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,651</u>
-	-	-	-	-	-
-	-	-	-	-	-
112	-	-	-	-	-
59	17,062	-	7,153	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>171</u>	<u>17,062</u>	<u>-</u>	<u>7,153</u>	<u>-</u>	<u>-</u>
<u>\$ 115,792</u>	<u>\$ 33,480</u>	<u>\$ -</u>	<u>\$ 7,153</u>	<u>\$ -</u>	<u>\$ 4,651</u>

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2014**

	Timber & Mineral Funds	Title II Timber Funds	Juvenile Probation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 100,078	\$ -	\$ 159,198
Receivables			
Grants	17,749	37,327	101,188
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 117,827</b>	<b>\$ 37,327</b>	<b>\$ 260,386</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ 37,327	\$ 115,332
Accounts payable	-	-	90,154
Due to other funds	-	-	-
Unearned revenues	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>37,327</b>	<b>205,486</b>
 <b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	117,827	-	54,900
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<b>117,827</b>	<b>-</b>	<b>54,900</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 117,827</b>	<b>\$ 37,327</b>	<b>\$ 260,386</b>

<u>THC Courthouse Renovation</u>	<u>GLO Grant Ike Round 2</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 2,047	\$ 15,028	\$ 1,149,276
-	1,458	219,272
-	-	12,113
-	-	31,703
-	-	8,657
<u>\$ 2,047</u>	<u>\$ 16,486</u>	<u>\$ 1,421,021</u>
\$ -	\$ 15,886	\$ 545,290
2,047	619	128,976
-	-	60
-	-	7,243
<u>2,047</u>	<u>16,505</u>	<u>681,569</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
-	-	8,657
-	-	606,849
-	-	123,965
<u>-</u>	<u>(19)</u>	<u>(19)</u>
<u>-</u>	<u>(19)</u>	<u>739,452</u>
<u>\$ 2,047</u>	<u>\$ 16,486</u>	<u>\$ 1,421,021</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Jury Fund	Airport Fund	Courthouse Security Fund
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	6,591	-	8,808
Charges for services	-	49,165	-
Fines and forfeitures	-	-	3,479
Intergovernmental revenue and grants	73,009	184,393	-
Contributions and donations from private sources	-	-	-
Investment earnings	43	2	-
Other revenue	-	2,857	-
Total revenues	<u>79,643</u>	<u>236,417</u>	<u>12,287</u>
<b>EXPENDITURES</b>			
General government	-	59,394	-
Judicial and law enforcement	377,027	-	72,456
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	181,793	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>377,027</u>	<u>241,187</u>	<u>72,456</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(297,384)</u>	<u>(4,770)</u>	<u>(60,169)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	250,000	10,000	51,654
Transfers out	-	-	-
Net other financing sources (uses)	<u>250,000</u>	<u>10,000</u>	<u>51,654</u>
<b>NET CHANGE IN FUND BALANCE</b>	(47,384)	5,230	(8,515)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>69,610</u>	<u>14,835</u>	<u>8,515</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 22,226</u>	<u>\$ 20,065</u>	<u>\$ -</u>

<u>Law Library Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>County &amp; District Court Technology</u>
\$ -	\$ 47,313	\$ -	\$ -	\$ -	\$ -
7,837	-	-	-	-	773
-	-	-	-	-	-
-	-	-	1,103	4,598	-
-	-	5,584	-	-	-
-	-	-	-	-	-
-	8	-	-	2	-
-	253	-	-	-	-
<u>7,837</u>	<u>47,574</u>	<u>5,584</u>	<u>1,103</u>	<u>4,600</u>	<u>773</u>
9,960	31,582	-	-	-	-
-	-	-	-	23,279	55
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,960</u>	<u>31,582</u>	<u>-</u>	<u>-</u>	<u>23,279</u>	<u>55</u>
<u>(2,123)</u>	<u>15,992</u>	<u>5,584</u>	<u>1,103</u>	<u>(18,679)</u>	<u>718</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,123)	15,992	5,584	1,103	(18,679)	718
<u>3,533</u>	<u>136,166</u>	<u>-</u>	<u>7,826</u>	<u>37,069</u>	<u>2,425</u>
<u>\$ 1,410</u>	<u>\$ 152,158</u>	<u>\$ 5,584</u>	<u>\$ 8,929</u>	<u>\$ 18,390</u>	<u>\$ 3,143</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	1,215	87	94,380
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	-	-	2
Other revenue	<u>1</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,216</u>	<u>87</u>	<u>94,382</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	-	-
Highways and streets	-	-	-
Health and welfare	1,200	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,200</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>16</u>	<u>87</u>	<u>94,382</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(79,025)</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(79,025)</u>
<b>NET CHANGE IN FUND BALANCE</b>	16	87	15,357
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>5,336</u>	<u>409</u>	<u>22,757</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,352</u>	<u>\$ 496</u>	<u>\$ 38,114</u>

<u>Road &amp; Bridge Fines</u>	<u>Records Management &amp; Preservation</u>	<u>Co Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	7,117	56,742	1,498	1,415	54,036
-	-	-	-	-	-
110,632	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1	-	-	-	-	4
-	-	-	-	-	-
<u>110,633</u>	<u>7,117</u>	<u>56,742</u>	<u>1,498</u>	<u>1,415</u>	<u>54,040</u>
-	7,000	50,124	1,973	1,409	-
-	-	-	-	-	-
12,650	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,650</u>	<u>7,000</u>	<u>50,124</u>	<u>1,973</u>	<u>1,409</u>	<u>-</u>
<u>97,983</u>	<u>117</u>	<u>6,618</u>	<u>(475)</u>	<u>6</u>	<u>54,040</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(100,000)	-	-	-	-	-
<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,017)	117	6,618	(475)	6	54,040
<u>20,498</u>	<u>542</u>	<u>118</u>	<u>475</u>	<u>1,168</u>	<u>48,219</u>
<u>\$ 18,481</u>	<u>\$ 659</u>	<u>\$ 6,736</u>	<u>\$ -</u>	<u>\$ 1,174</u>	<u>\$ 102,259</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	District Clerk Archives	Co Attorney Pre-trial Intervention	Hot Check Fees
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	2,099	-	-
Charges for services	-	-	-
Fines and forfeitures	-	7,916	10,655
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	-	1	53
Other revenue	-	-	-
	<u>2,099</u>	<u>7,917</u>	<u>10,708</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	4,528	12,023
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
	<u>-</u>	<u>4,528</u>	<u>12,023</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>2,099</u>	<u>3,389</u>	<u>(1,315)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(9,577)
	<u>-</u>	<u>-</u>	<u>(9,577)</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(9,577)</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,099	3,389	(10,892)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>4,338</u>	<u>23,744</u>	<u>65,230</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 6,437</u>	<u>\$ 27,133</u>	<u>\$ 54,338</u>

<u>District Attorney Hot Checks</u>	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
221	-	1,489	77	-	-
-	-	-	-	-	6,282
-	-	-	-	52	-
8	2	3	11	2	-
-	-	-	36	3,479	-
<u>229</u>	<u>2</u>	<u>1,492</u>	<u>124</u>	<u>3,533</u>	<u>6,282</u>
-	-	-	-	46,383	-
75	-	2,487	932	-	4,742
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>75</u>	<u>-</u>	<u>2,487</u>	<u>932</u>	<u>46,383</u>	<u>4,742</u>
<u>154</u>	<u>2</u>	<u>(995)</u>	<u>(808)</u>	<u>(42,850)</u>	<u>1,540</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10,000	-
-	-	(1,875)	-	-	-
-	-	(1,875)	-	10,000	-
154	2	(2,870)	(808)	(32,850)	1,540
240	2,293	9,545	25,880	36,832	2,085
<u>\$ 394</u>	<u>\$ 2,295</u>	<u>\$ 6,675</u>	<u>\$ 25,072</u>	<u>\$ 3,982</u>	<u>\$ 3,625</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	District Attorney <u>Apportionment</u>	Vehicle Inventory Tax <u>Interest</u>	Miscellaneous Grants <u>                    </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ 2	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	28,117	-	87,449
Contributions and donations from private sources	-	-	-
Investment earnings	-	6	25
Other revenue	-	-	-
Total revenues	<u>28,117</u>	<u>8</u>	<u>87,474</u>
<b>EXPENDITURES</b>			
General government	-	454	-
Judicial and law enforcement	16,716	-	10,341
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	35,054
Capital outlay	-	-	35,054
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>16,716</u>	<u>454</u>	<u>80,449</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>11,401</u>	<u>(446)</u>	<u>7,025</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	-
Transfers out	(11,213)	-	-
Net other financing sources (uses)	<u>(11,213)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	188	(446)	7,025
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>(188)</u>	<u>593</u>	<u>59</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 147</u>	<u>\$ 7,084</u>

Senior Fund	Emergency Management Grant	Homeland Security Grant	Victims Assistance Grant	HAVA Grant	911 Addressing Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
40,709	-	-	-	-	-
-	-	-	-	-	-
212,310	56,030	-	44,491	2,572	25,144
1,984	-	-	-	-	-
-	-	-	-	-	-
4,598	-	-	-	-	-
<u>259,601</u>	<u>56,030</u>	<u>-</u>	<u>44,491</u>	<u>2,572</u>	<u>25,144</u>
-	-	-	-	2,572	-
-	72,500	-	50,801	-	-
-	-	-	-	-	25,469
316,806	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,529	26,434	-	-	-	-
5,978	-	-	-	-	-
389	-	-	-	-	-
<u>330,702</u>	<u>98,934</u>	<u>-</u>	<u>50,801</u>	<u>2,572</u>	<u>25,469</u>
<u>(71,101)</u>	<u>(42,904)</u>	<u>-</u>	<u>(6,310)</u>	<u>-</u>	<u>(325)</u>
-	-	-	-	-	-
4,200	-	-	-	-	-
79,397	44,430	638	9,577	-	325
-	(325)	-	-	-	-
<u>83,597</u>	<u>44,105</u>	<u>638</u>	<u>9,577</u>	<u>-</u>	<u>325</u>
12,496	1,201	638	3,267	-	-
<u>(12,325)</u>	<u>15,861</u>	<u>(638)</u>	<u>3,886</u>	<u>-</u>	<u>-</u>
<u>\$ 171</u>	<u>\$ 17,062</u>	<u>\$ -</u>	<u>\$ 7,153</u>	<u>\$ -</u>	<u>\$ -</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Timber & Mineral Funds	Title II Timber Funds	Juvenile Probation
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	1,849
Intergovernmental revenue and grants	1,173,631	38,758	147,545
Contributions and donations from private sources	-	-	-
Investment earnings	-	-	40
Other revenue	-	-	-
	<u>1,173,631</u>	<u>38,758</u>	<u>149,434</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	-	198,940
Highways and streets	-	38,758	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	569,066	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
	<u>569,066</u>	<u>38,758</u>	<u>198,940</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>604,565</u>	<u>-</u>	<u>(49,506)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	65,800
Transfers out	(486,835)	-	-
Net other financing sources (uses)	<u>(486,835)</u>	<u>-</u>	<u>65,800</u>
<b>NET CHANGE IN FUND BALANCE</b>	117,730	-	16,294
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>97</u>	<u>-</u>	<u>38,606</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 117,827</u>	<u>\$ -</u>	<u>\$ 54,900</u>

THC Courthouse Renovation	GLO Grant Ike Round 2	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 47,315
-	-	242,598
-	-	89,874
-	-	142,019
-	21,458	2,106,773
-	-	2,036
-	-	213
-	-	11,224
<u>-</u>	<u>21,458</u>	<u>2,642,052</u>
4,958	-	215,809
-	-	846,902
-	-	76,877
-	-	318,006
-	-	-
-	-	604,120
-	21,458	272,268
-	-	-
-	-	5,978
-	-	389
<u>4,958</u>	<u>21,458</u>	<u>2,340,349</u>
<u>(4,958)</u>	<u>-</u>	<u>301,703</u>
-	-	-
-	-	4,200
4,958	-	526,779
-	-	(688,850)
<u>4,958</u>	<u>-</u>	<u>(157,871)</u>
-	-	143,832
-	(19)	595,620
<u>\$ -</u>	<u>\$ (19)</u>	<u>\$ 739,452</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2014**

	<u>County Attorney Hot Check</u>	<u>DA Forfeiture Trust Fund</u>	<u>Sheriff's Inmate Trust Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,448	\$ 11,614	\$ 12,461
TOTAL ASSETS	<u>\$ 3,448</u>	<u>\$ 11,614</u>	<u>\$ 12,461</u>
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ -	\$ 12,461
Due to other units	<u>3,448</u>	<u>11,614</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 3,448</u>	<u>\$ 11,614</u>	<u>\$ 12,461</u>

<u>Sheriff's Commissary Funds</u>	<u>Tax Assessor's Ad Valorem</u>	<u>Tax Assessor's VIT Escrow</u>	<u>Tax Assessor's Boat Registration</u>	<u>Tax Assessor's Mobile Home Mvmt Escrow</u>	<u>Tax Assessor's Farm Fee</u>
\$ 13,329	\$ 46,366	\$ 40,220	\$ 232	\$ 5,270	\$ 440
<u>\$ 13,329</u>	<u>\$ 46,366</u>	<u>\$ 40,220</u>	<u>\$ 232</u>	<u>\$ 5,270</u>	<u>\$ 440</u>
\$ 3,328	\$ -	\$ -	\$ -	\$ -	\$ -
10,001	46,366	40,220	232	5,270	440
<u>\$ 13,329</u>	<u>\$ 46,366</u>	<u>\$ 40,220</u>	<u>\$ 232</u>	<u>\$ 5,270</u>	<u>\$ 440</u>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2014**

	<u>Tax Assessor's Highway Department</u>	<u>Tax Assessor's Hwy Emission Reg Fee</u>	<u>Tax Assessor's IVTRS Account</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 242,467	\$ 4,149	\$ 1,083
TOTAL ASSETS	<u>\$ 242,467</u>	<u>\$ 4,149</u>	<u>\$ 1,083</u>
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ -	\$ -
Due to other units	<u>242,467</u>	<u>4,149</u>	<u>1,083</u>
TOTAL LIABILITIES	<u>\$ 242,467</u>	<u>\$ 4,149</u>	<u>\$ 1,083</u>

<u>County Clerk Trust Fund</u>	<u>District Clerk Trust Fund</u>	<u>Total Agency Funds</u>
\$ 586,480	\$ 436,253	\$ 1,403,812
<u>\$ 586,480</u>	<u>\$ 436,253</u>	<u>\$ 1,403,812</u>
\$ 586,480	\$ 436,253	\$ 1,038,522
-	-	365,290
<u>\$ 586,480</u>	<u>\$ 436,253</u>	<u>\$ 1,403,812</u>

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**COMPLIANCE SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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Daren Hamaker, CPA  
Kim Johnson, CPA  
Rachel Kennerly, CPA

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

To the Honorable County Judge and  
Members of the Commissioners' Court  
Houston County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas (the "County"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Houston County, Texas' basic financial statements and have issued our report thereon dated June 29, 2015.

### **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") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies: 2014-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Houston County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws,

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

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Houston County, Texas' Response to Findings**

Houston County, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 29, 2015

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# Todd, Hamaker & Johnson, LLP

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable County Judge and  
Members of the Commissioners' Court  
Houston County, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited Houston County, Texas' (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Houston County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Houston County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Houston County, Texas' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Houston County, Texas complied, in all material respects, with the types of 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, 2014.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133 – CONTINUED**

**Report on Internal Control over Compliance**

Management of Houston County, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Houston County, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Houston County, Texas' internal control over compliance.

*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.

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 29, 2015

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Texas Comptroller of Public Accounts			
Schools and Roads - Grants to States	10.665	-	\$ 487,560 <sup>4</sup>
Total for CFDA 10.665			<u>487,560</u>
Total U.S. Department of Agriculture:			<u>487,560</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Texas General Land Office			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	DRS220071/ 13-180-000-7293	<u>21,458</u>
Total for CFDA 14.228			<u>21,458</u>
Total U.S. Department of Housing and Urban Development:			<u>21,458</u>
<u>U.S. Department of the Interior</u>			
Passed through Texas Comptroller of Public Accounts			
National Forest Acquired Lands	15.438	-	<u>624,848</u> <sup>4</sup>
Total for CFDA 15.438			<u>624,848</u>
Total U.S. Department of the Interior:			<u>624,848</u>
<u>U.S. Department of Justice</u>			
Passed through Texas Office of the Governor			
Missing Children's Assistance	16.543	2012-MC-FX-K047	<u>2,065</u>
Total for CFDA 16.543			<u>2,065</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2711701	<u>70,108</u> <sup>4</sup>
Total for CFDA 16.738			<u>70,108</u>
Total U.S. Department of Justice:			<u>72,173</u>
<u>U.S. Department of Transportation</u>			
Passed through Texas Department of Transportation – Aviation Division			
Airport Improvement Program	20.106	1111CROCK 1XXAV067	<u>37,574</u>
Total for CFDA 20.106			<u>37,574</u>
Total U.S. Department of Transportation:			<u>37,574</u>

See accompanying notes to schedule of expenditures of federal awards.

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Election Assistance Commission</u>			
Passed through Texas Office of the Secretary of State Help America Vote Act Requirements Payments	90.401	77523	<u>2,571</u>
Total for CFDA 90.401			<u>2,571</u>
Total U.S. Election Assistance Commission:			<u>2,571</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Texas Department of Family and Protective Services Foster Care—Title IV-E	93.658	24095781	<u>3,865</u>
Total for CFDA 93.658			<u>3,865</u>
Total U.S. Department of Health and Human Services:			<u>3,865</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Texas Department of Public Safety – Division of Emergency Management			
Emergency Management Performance Grants	97.042	2014-EP-00011 14TX-EMPG-1242	<u>33,480</u>
Total for CFDA 97.042			<u>33,480</u>
Hazard Mitigation Grant	97.047	DR-1931 PDMC- PL-06-TX-2012-033	<u>79,912</u>
Total for CFDA 97.047			<u>79,912</u>
Total U.S. Department of Homeland Security:			<u>113,392</u>
<b>Total Federal Awards Expended:</b>			<b><u>\$ 1,363,441</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**NOTE 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Houston County, Texas under programs of the federal government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Houston County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of Houston County, Texas.

**NOTE 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting and accordingly, all significant receivables, payables, and other liabilities are included. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – Presentation of Expenditures**

Expenditures included in the Schedule are reported exclusive of non-federal matching funds.

**NOTE 4 – Subrecipients**

Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. Of the expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
10.665	Schools and Roads - Grants to States	\$ 233,276
15.438	National Forest Acquired Lands	353,540
16.738	Edward Byrne Memorial Justice Assistance Grant	<u>35,054</u>
	Total federal awards provided to subrecipients:	<u>\$ 621,870</u>

**NOTE 5 – Other**

Pass-through entity identifying numbers are presented where available.

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**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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Section I – Summary of Auditors’ Results

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***Financial Statements***

Type of auditors’ report issued: unmodified

- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes \_\_\_\_\_ none reported

Non-compliance material to financial statements noted? \_\_\_\_\_ yes  no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes  none reported

Type of auditors’ report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes  no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.665	Schools and Roads – Grants to States
15.438	National Forest Acquired Lands

Dollar threshold used to distinguish between type A and type B federal programs: \$ 300,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes  no

**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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Section II – Financial Statements Audit Findings

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**2014-001 Significant Deficiency: Accounting for Capital Assets**

**Condition.** Historically, the County has maintained an excel spreadsheet that details the County’s capital assets, largely for insurance and other tracking purposes. The external auditors maintained a detailed listing of assets, recorded additions and disposals, and calculated depreciation annually. The two lists have not been reconciled with each other.

In fiscal year 2012, the County began using the capital asset module in the County’s accounting software system (“Hill Country”). Because the implementation was incomplete, the software-generated reports could not be used to track capital asset additions and disposals. Additionally, software totals could not be reconciled to prior year audit reports.

**Criteria.** Proper accounting for capital assets requires the maintenance of an accurate, detailed listing of all capital assets that meet the County’s criteria for capitalization and/or tracking.

**Effect.** The inability to rely on this listing could lead to improper tracking and control of fixed asset additions and disposals, as well as potential errors in computing depreciation expense.

**Context.** Capital assets represent the County’s single largest asset.

**Recommendation.** The following recommendations should be considered:

1. Reconcile the software-generated listing of assets to the detailed listing provided by the external auditor, making note of differences.
2. Conduct a physical inventory of all County assets (by department/location) to ensure that the data in the system is accurate. After the initial inventory is performed, implement a policy regarding on-going plans to count assets in each department/location on a rotating basis, not less than biannually.

**Views of Responsible Officials and Corrective Action.** Houston County implemented new procedures to ensure all fixed asset additions and disposals are properly updated within the fixed asset module of the financial system in a timely manner. Each new asset is then verified and tagged.

The County is preparing for a surplus auction prior to September, 2015, to dispose of outdated and salvage inventory items. After this event, we will conduct individual office/department inventory audits to verify current items and reconcile the listing of assets with the listing provided by the external auditor.

**See also, Summary Schedule of Prior Audit Findings, 2012-03.**

**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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Section III – Major Federal Award Programs Audit Findings and Questioned Costs

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*None.*

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**HOUSTON COUNTY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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Financial Statements Audit Findings

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**2013-01    *Material Weakness: Backup process/Data loss***

**Condition.** In January, 2014, components of the County's computer hardware failed, resulting in the loss of accounting and other County data. Backup files maintained by the County were not sufficient to restore the data. Outside data recovery experts were engaged and approximately 50% of the data was recovered.

Detailed information regarding receipts and disbursements were able to be restored. However, journal entries could not be restored and had to be manually re-entered into the general ledger, often with little or no supporting documentation. This undertaking was extensive and inadvertent mistakes and omissions were made. Audit procedures, both internally and externally, were performed to ascertain that the general ledger account balances were materially correct. Audit adjustments were made to correct these misstatements.

**Criteria or specific requirements.** Computer data files should be safeguarded, as other County assets, to prevent data loss, whether temporary or permanent.

**Effect.** Any loss of data results in financial and operational cost to the County. The cost and ultimate impact depends on the type of data lost, as well as the amount and length of time that data is unavailable.

**Recommendation.** The County should establish the necessary computer backup policies and procedures to provide a means to: (1) restore the integrity of the computer system and data in the event of a hardware/software failure or physical disaster, and (2) provide a measure of protection against human error or the inadvertent deletion of data.

**Current status of corrective action plan.** Houston County hired a new IT director and began a complete security and system integrity review and update. As of February, 2015,

- All data is stored on the local server for daily usage by county offices;
- Backed-up daily on a redundant server for immediate access;
- Backed-up nightly to a remote server in another secure county building;
- Backed-up weekly on external hard drives (verified by a third party vendor) which are stored in a separate secure county building

This matter is considered resolved.

**2012-01    *Significant Deficiency: Check signing controls***

**Condition.** During extended absences by the Treasurer as a result of illness, personnel in the Treasurer's office were given access to electronic signature passwords and, ultimately, the ability to electronically sign checks.

**Criteria.** Texas local government code dictates that all checks require the signature of two authorized signers. Checks are signed by the County Treasurer and the County Auditor. The checks are signed electronically, with passwords being used by the Treasurer and Auditor.

**Effect.** Internal controls are compromised; potential unauthorized expenditures.

**HOUSTON COUNTY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Context.** Management is ultimately responsible for ensuring that passwords are not used or known by persons other than the authorized user.

**Recommendation.** Specific policies regarding the prohibition of sharing passwords should be established and enforced. Any specific passwords that have been compromised should be changed immediately. Policies should include guidelines for periodic expiration and changing of passwords.

**Current status of corrective action plan.** As of August, 2014, the County's financial software removed the electronic signature feature as an option for check signing.

Each authorized user of the financial software is required by the system to submit a new password every ninety days to ensure integrity and security of access.

This matter is considered resolved.

**2012-03    *Significant Deficiency: Accounting for capital assets***

**Condition.** Historically, the County has maintained an excel spreadsheet that details the County's capital assets, largely for insurance and other tracking purposes. The external auditors maintained a detailed listing of assets, recorded additions and disposals, and calculated depreciation annually. The two lists have not been reconciled with each other.

In fiscal year 2012, the County began using the capital asset module in the County's accounting software system (Hill Country). Because the implementation was incomplete, we were not able to utilize the reports generated from the system to track additions and disposals. We were also unable to tie beginning numbers to prior year reports.

**Criteria.** Proper accounting for capital assets requires the maintenance of an accurate, detailed listing of all capital assets that meet the County's criteria for capitalization and/or tracking.

**Effect.** The inability to rely on this listing could lead to improper tracking and control of fixed asset additions and disposals, as well as potential errors in computing depreciation expense.

**Context.** Capital assets represent the County's single largest asset.

**Recommendation.** The following recommendations should be considered:

1. The County Auditor should review and revise, as needed, the policies and procedures in place to ensure that all fixed asset additions and disposals are properly recorded in the general ledger, as well as the fixed asset module of the computer system.
2. Reconcile the system generated listing of assets to the detailed listing provided by the external auditor, making note of differences.
3. Conduct an inventory of all County assets (by department/location), not less than biannually, to ensure that the data in the system is accurate. After the initial inventory is performed, implement a policy regarding on-going plans to count assets in each department/location on a rotating basis.

**HOUSTON COUNTY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Current status of corrective action plan.** During the year, the County approved and implemented a fixed asset management policy. Regarding recommendation number one, this matter is considered resolved. As to recommendations two and three, this finding remains outstanding. See current year finding, 2014-001.

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Major Federal Award Programs Audit Findings and Questioned Costs

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*None.*