

**HOUSTON COUNTY, TEXAS**

**AUDITED FINANCIAL STATEMENTS  
AND COMPLIANCE REPORT**

**SEPTEMBER 30, 2018**



## **INTRODUCTORY SECTION**

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**HOUSTON COUNTY, TEXAS  
PRINCIPAL PUBLIC OFFICIALS  
AT SEPTEMBER 30, 2018**

**COMMISSIONERS COURT**

Jim Lovell ..... County Judge  
Gary Lovell ..... 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**

Terrell McKnight ..... Building Maintenance Supervisor  
Yanira Garcia ..... Community Supervision/Corrections Department  
Melissa Jeter ..... County Auditor  
Jo Smith ..... County Extension Agent – Agriculture  
Mandy Patrick ..... County Extension Agent – Family & Consumer Science  
Cindy Lum ..... Elections Administrator  
Roger Dickey ..... Emergency Management Coordinator & Fire Marshal  
Thomas Streetman ..... 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  
Samantha Wright, 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, 2018, 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.

## INDEPENDENT AUDITORS' REPORT – CONTINUED

### *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 fund information of Houston County, Texas, as of September 30, 2018, 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.

### *Prior Period Adjustment*

As discussed in the notes to the financial statements, an adjustment to beginning government-wide net position has been recorded to reflect a decrease of \$325,486 in net capital assets that resulted from the completion of a comprehensive physical count of the County's capital asset inventory. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, and the schedule of pension contributions and related notes on pages 11 - 17 and 61 - 77, 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*

The combining nonmajor fund financial statements on pages 83-109 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2019, on pages 113-114, 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

July 23, 2019

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**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
(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, 2018. 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 \$6,066,565 (net position) at September 30, 2018. Of this amount, \$2,673,788 is available to be used to meet the County's ongoing obligations to citizens and creditors.
- Total assets decreased by \$510,611 from the prior year; total liabilities decreased by \$1,148,584 from the prior year.
- Overall expenses exceeded revenues (or a decrease in net position) by \$10,522. Depreciation expense of \$1,056,976 is included in these expenses.
- A prior period adjustment of \$316,911 (a net decrease in net position) has been recorded in these financial statements to reflect corrections to capital assets resulting from a comprehensive physical count of County assets (net decrease in net position of \$325,486) as well as the inclusion of the child welfare board assets which were not previously reported (increase in net position of \$8,575).

**Fund financial statements**

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$4,969,602. Overall revenues exceeded expenditures by \$397,815.
- At September 30, 2018, unassigned fund balance for the General Fund was \$1,651,474, or approximately 22% 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.

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
(UNAUDITED)**

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 page 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 59 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 \$6,066,565 at September 30, 2018.

The largest portion of the County's net position, or \$1,355,690, reflects its investment in capital assets (\$13,058,945) less the related debt used to acquire those assets that remains outstanding (\$11,703,255). 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 \$2,037,087 represents resources that are subject to restriction on how they may be used. The remaining balance of \$2,673,788 is unrestricted in nature and used to meet the County's ongoing obligations to citizens and creditors.



**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
(UNAUDITED)**

**The County's Net Position**

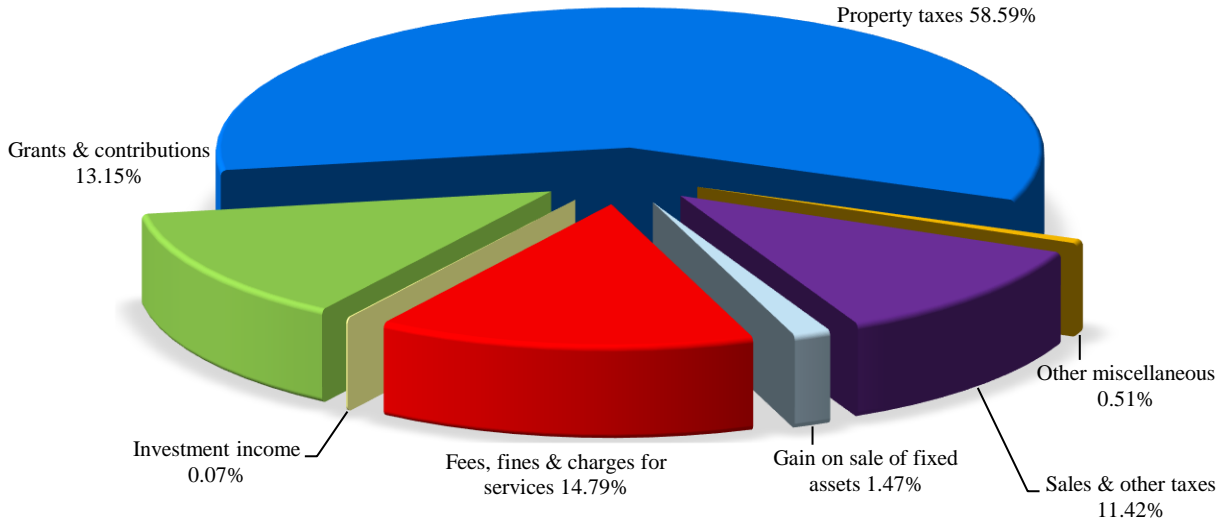
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 4,960,937	\$ 4,687,336
Capital assets, net	13,058,945	13,843,157
Total assets	<u>18,019,882</u>	<u>18,530,493</u>
Deferred outflows of resources	1,017,651	1,783,088
Total deferred outflows	<u>1,017,651</u>	<u>1,783,088</u>
Long-term debt	11,703,255	11,974,705
Other liabilities	909,823	1,786,957
Total liabilities	<u>12,613,078</u>	<u>13,761,662</u>
Deferred inflows of resources	357,890	157,921
Total deferred inflows	<u>357,890</u>	<u>157,921</u>
Net position		
Invested in capital assets, net of related debt	1,355,690	1,868,452
Restricted	2,037,087	1,669,105
Unrestricted	2,673,788	2,856,441
Total net position	<u>\$ 6,066,565</u>	<u>\$ 6,393,998</u>

**Change in Net Position**

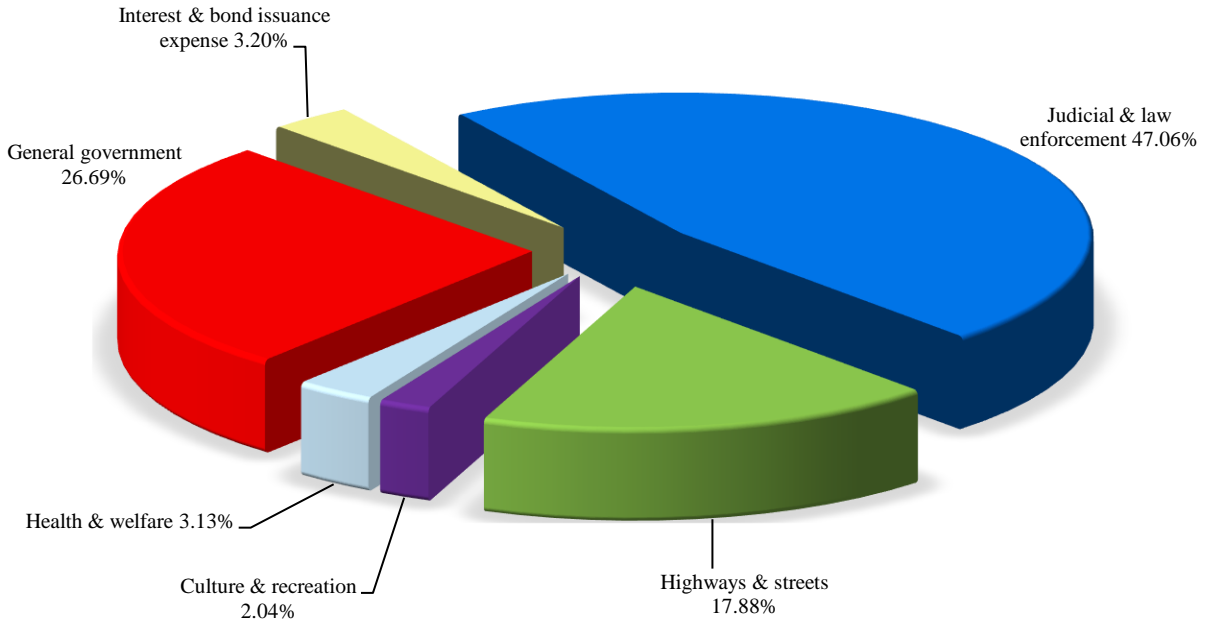
	<u>2018</u>	<u>2017</u>
Revenues		
Fees, fines, charges for services	\$ 1,843,115	\$ 1,833,159
Property taxes	7,301,075	6,975,532
Sales taxes	1,145,824	1,050,198
Other taxes	49,015	44,342
Investment income	8,681	21,710
Grants and contributions	1,638,334	2,991,169
Payment in lieu of taxes	228,485	46,551
Gain on sale of assets	183,537	-
Other miscellaneous	63,774	386,921
Total revenues	<u>12,461,840</u>	<u>13,349,582</u>
Expenses		
General government	3,140,479	3,161,901
Judicial and law enforcement	5,869,716	5,745,328
Highways and streets	2,229,664	3,274,290
Health and welfare	390,840	423,286
Culture and recreation	254,905	242,956
Pass-through expenditures	187,779	53,823
Bond issuance costs	-	-
Interest on long-term debt	398,979	407,800
Total expenses	<u>12,472,362</u>	<u>13,309,384</u>
Increase (decrease) in net position	(10,522)	40,198
Prior period adjustment	(316,911)	190,566
Net position at beginning of year	6,393,998	6,163,234
Net position at end of year	<u>\$ 6,066,565</u>	<u>\$ 6,393,998</u>

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
(UNAUDITED)**

**Revenues by Source  
For the Fiscal Year Ended September 30, 2018**



**Expenses by Function  
For the Fiscal Year Ended September 30, 2018**



**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
(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, 2018, the County's governmental funds reported a total fund balance of \$4,969,602. This fund balance is comprised of \$2,225,416 that is either in a nonspendable form, restricted or assigned for specific purpose. The remaining balance, \$2,744,186, is unassigned. During the year, the fund balance in the County's governmental funds increased by \$397,815.

**Budgetary Comparisons.** A comparison of the general fund and each individual road and bridge fund budget and actual results are presented as required supplementary information on pages 63 to 71.

*General Fund.* Actual revenues were higher than budgeted amounts by \$666,140. Actual expenditures were lower than budgeted amounts by \$324,956. Actual other financing sources (uses) were unfavorable to budgeted amounts by \$38,890. An overall decrease in fund balance of \$747,032 had been projected, using prior year budget carryovers to fund the decrease. Actual amounts resulted in an increase in fund balance of \$205,174 for the fiscal year.

*Road and Bridge Funds.* Actual revenues were higher than budgeted amounts by \$33,497. Actual expenditures were lower than budgeted amounts by \$579,422. An overall decrease in fund balance of \$360,000 had been projected, using prior year budget carryovers to fund the decrease. The actual increase in fund balance was \$56,750.

**CAPITAL ASSETS**

The County's investment in capital assets as of September 30, 2018 totaled \$13,058,945 (net of accumulated depreciation).

Capital assets of \$770,219 were purchased during the year. Significant purchases included:

- Re-roof courthouse annex
- Courtroom microphone system
- Bridge – CR 2330
- Bridge – CR 4690
- DVR recording system for justice center
- Various trucks and heavy equipment (partially funded through capital leases/notes)

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
(UNAUDITED)**

**Capital Assets (Net of Depreciation)**

	2018	(Restated) 2017
Land	\$ 149,045	\$ 149,045
Construction in progress	-	-
Buildings and improvements	18,018,801	17,989,659
Infrastructure	168,453	115,733
Rolling stock	6,136,531	6,273,949
Furniture and equipment	1,238,300	1,220,531
Less: accumulated depreciation	(12,652,185)	(12,231,246)
Total	\$ 13,058,945	\$ 13,517,671

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$11,703,255.

**Debt Outstanding**

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation	\$ 10,620,000	\$ -	\$ 495,000	\$ 10,125,000
Unamortized premiums	734,532	-	50,870	683,662
Capital leases	620,173	589,490	315,070	894,593
Total	\$ 11,974,705	\$ 589,490	\$ 860,940	\$ 11,703,255

**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 has experienced an 81% decrease in oil and gas valuations since 2015, but the overall taxable assessed value has remained relatively stable due to increases in commercial and residential growth. Due to cost cutting measures and adopting the same tax rate of \$0.54/\$100 for FY 2019, the County has continued to provide services to Houston County at a superior level.

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. It's frustrating that our Federal Government is not recognizing their obligation to adequately fund the timber

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
(UNAUDITED)**

revenue in lieu of property taxes on the National Forest. Houston County makes up 12% National Forest, which is tax exempt.

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, 2018**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,098,278	\$ 1,098,278
Receivables		
Property taxes, net of allowance for uncollectibles	-	-
Sales tax receivable	214,429	214,429
Grants	990,283	990,283
Other - miscellaneous	222,001	222,001
Prepays	116,685	116,685
Restricted assets		
Cash and cash equivalents	886,214	886,214
Certificates of deposit	1,143,003	1,143,003
Net pension asset	290,044	290,044
Capital assets, net of accumulated depreciation	13,058,945	13,058,945
<b>TOTAL ASSETS</b>	<b>18,019,882</b>	<b>18,019,882</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on bond refunding	688,171	688,171
Pension plan	329,480	329,480
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,017,651</b>	<b>1,017,651</b>
<b>LIABILITIES</b>		
Accounts payable	520,319	520,319
Accrued interest	56,838	56,838
Unearned revenues	70,000	70,000
Compensated absences	262,666	262,666
Long-term debt		
Due within one year	725,154	725,154
Due in more than one year	10,978,101	10,978,101
<b>TOTAL LIABILITIES</b>	<b>12,613,078</b>	<b>12,613,078</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension plan	357,890	357,890
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>357,890</b>	<b>357,890</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,355,690	1,355,690
Restricted for		
Deposits held as collateral by others	1,143,003	1,143,003
Debt service	84,614	84,614
General government	252,018	252,018
Judicial and law enforcement	395,326	395,326
Highways and streets	162,126	162,126
Unrestricted	2,673,788	2,673,788
<b>TOTAL NET POSITION</b>	<b>\$ 6,066,565</b>	<b>\$ 6,066,565</b>

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 3,140,479
Judicial and law enforcement	5,869,716
Highways and streets	2,229,664
Health and welfare	390,840
Culture and recreation	254,905
Pass-through expenditures	187,779
Interest on long-term debt	398,979
Total governmental activities	\$ 12,472,362

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
\$ 282,312	\$ 29,048	\$ -	\$ (2,829,119)
769,561	536,854	-	(4,563,301)
687,703	364,693	-	(1,177,268)
42,238	519,960	-	171,358
61,301	-	-	(193,604)
-	187,779	-	-
-	-	-	(398,979)
<u>\$ 1,843,115</u>	<u>\$ 1,638,334</u>	<u>\$ -</u>	<u>(8,990,913)</u>

General revenues

Property taxes	7,301,075
Sales taxes	1,145,824
Other taxes	49,015
Investment income	8,681
Payments in lieu of taxes	228,485
Gain on sale of assets	183,537
Miscellaneous income	63,774
Total general revenues	<u>8,980,391</u>
Change in net position	(10,522)
Net position - beginning	6,393,998
Prior period adjustment	<u>(316,911)</u>
Net position - ending	<u>\$ 6,066,565</u>

See accompanying notes to the financial statements.

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**FUND FINANCIAL STATEMENTS**

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

	<u>General Fund</u>	<u>Road and Bridge Fund Pct No. 1</u>	<u>Road and Bridge Fund Pct No. 2</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 740,245	\$ 149,604	\$ 214,478
Certificates of deposit	1,143,003	-	-
Receivables			
Property taxes	845,067	-	-
Sales taxes	214,429	-	-
Grants	33,346	36,230	57,686
Other - miscellaneous	217,997	-	-
Due from other funds	-	-	1,212
Prepaid items	81,301	1,601	2,100
<b>TOTAL ASSETS</b>	<u>\$ 3,275,388</u>	<u>\$ 187,435</u>	<u>\$ 275,476</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	309,933	8,278	62,687
Due to other funds	19,677	5,324	-
Unearned revenues	70,000	-	-
<b>Total liabilities</b>	<u>399,610</u>	<u>13,602</u>	<u>62,687</u>
 <b>Fund balances</b>			
Nonspendable	81,301	1,601	2,100
Restricted	1,143,003	-	-
Assigned	-	-	-
Unassigned	1,651,474	172,232	210,689
<b>Total fund balances</b>	<u>2,875,778</u>	<u>173,833</u>	<u>212,789</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 3,275,388</u>	<u>\$ 187,435</u>	<u>\$ 275,476</u>



Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Nonmajor Governmental Funds	Total Governmental Funds
\$ 329,580	\$ 350,948	\$ 959,589	\$ 2,744,444
-	-	-	1,143,003
-	-	64,983	910,050
-	-	-	214,429
93,276	116,235	653,510	990,283
-	-	4,003	222,000
-	-	157,061	158,273
1,850	2,252	6,560	95,664
<u>\$ 424,706</u>	<u>\$ 469,435</u>	<u>\$ 1,845,706</u>	<u>\$ 6,478,146</u>

\$ -	\$ -	\$ 759,952	\$ 759,952
27,212	33,585	78,624	520,319
20,684	108,605	3,983	158,273
-	-	-	70,000
<u>47,896</u>	<u>142,190</u>	<u>842,559</u>	<u>1,508,544</u>

1,850	2,252	4,888	93,992
-	-	891,084	2,034,087
-	-	97,337	97,337
<u>374,960</u>	<u>324,993</u>	<u>9,838</u>	<u>2,744,186</u>
<u>376,810</u>	<u>327,245</u>	<u>1,003,147</u>	<u>4,969,602</u>
<u>\$ 424,706</u>	<u>\$ 469,435</u>	<u>\$ 1,845,706</u>	<u>\$ 6,478,146</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, 2018**

Total fund balances - governmental funds balance sheet	\$ 4,969,602
Amounts reported for governmental activities in the statement of activities are different because:	
Certain revenues are not available to pay current period expenditures and therefore, are reported as deferred inflows in the governmental funds.	(910,050)
Prepaid bond insurance is not a current financial resource and therefore, is not reported in the governmental funds.	21,021
Net pension assets are not current financial resources and therefore, are not reported in the governmental funds.	290,044
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	13,058,945
Differences resulting from the refunding of certificates of obligation relate to long-term debt and therefore, are not reported in the governmental funds.	688,171
Deferred pension plan amounts relate to subsequent pension plan measurement periods and/or do not consume current financial resources and therefore, these amounts are not reported in the governmental funds.	(28,410)
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.	(319,503)
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>(11,703,255)</u>
Net position of governmental activities	<u>\$ 6,066,565</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, 2018**

	<u>General Fund</u>	<u>Road and Bridge Fund Pct No. 1</u>	<u>Road and Bridge Fund Pct No. 2</u>
<b>REVENUES</b>			
Property taxes	\$ 6,544,465	\$ -	\$ -
General sales and use taxes	1,145,824	-	-
Selective sales and use taxes	21,890	-	-
Fees, licenses, and permits	180,616	104,151	137,041
Charges for services	487,034	-	-
Fines and forfeitures	195,347	-	-
Intergovernmental revenue and grants	465,264	14,119	18,577
Contributions and donations from private sources	385	8,905	2,040
Payments in lieu of taxes	228,485	-	-
Investment earnings	6,426	71	154
Other revenue	57,547	-	2,000
Total revenues	<u>9,333,283</u>	<u>127,246</u>	<u>159,812</u>
<b>EXPENDITURES</b>			
General government	2,926,882	-	-
Judicial and law enforcement	4,219,486	-	-
Highways and streets	-	379,842	426,812
Health and welfare	-	-	-
Culture and recreation	123,993	-	-
Pass-through expenditures	-	-	-
Capital outlay	69,872	244,719	265,379
Debt service			
Principal	32,529	41,959	41,420
Interest	1,729	439	1,517
Total expenditures	<u>7,374,491</u>	<u>666,959</u>	<u>735,128</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,958,792</u>	<u>(539,713)</u>	<u>(575,316)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	11,786	-	53,071
Proceeds from debt issuance	-	244,719	244,719
Transfers in	22,618	255,564	337,480
Transfers out	(1,788,022)	(5,324)	-
Net other financing sources (uses)	<u>(1,753,618)</u>	<u>494,959</u>	<u>635,270</u>
<b>NET CHANGE IN FUND BALANCE</b>	205,174	(44,754)	59,954
<b>FUND BALANCE - BEGINNING OF YEAR</b>	2,670,604	218,587	152,835
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,875,778</u>	<u>\$ 173,833</u>	<u>\$ 212,789</u>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 831,167	\$ 7,375,632
-	-	-	1,145,824
-	-	27,125	49,015
158,967	148,004	200,475	929,254
-	-	102,339	589,373
-	-	129,141	324,488
21,549	20,063	1,067,508	1,607,080
3,136	4,500	12,288	31,254
-	-	-	228,485
270	110	1,650	8,681
21	2,676	1,530	63,774
<u>183,943</u>	<u>175,353</u>	<u>2,373,223</u>	<u>12,352,860</u>
-	-	107,865	3,034,747
-	-	969,176	5,188,662
463,327	486,820	191,750	1,948,551
-	-	372,527	372,527
-	-	68,146	192,139
-	-	187,779	187,779
31,800	156,403	2,046	770,219
168,837	21,097	504,227	810,069
3,659	456	387,549	395,349
<u>667,623</u>	<u>664,776</u>	<u>2,791,065</u>	<u>12,900,042</u>
<u>(483,680)</u>	<u>(489,423)</u>	<u>(417,842)</u>	<u>(547,182)</u>
244,000	46,650	-	355,507
31,800	68,251	-	589,489
390,071	363,170	795,239	2,164,142
(20,684)	(108,605)	(241,506)	(2,164,141)
<u>645,187</u>	<u>369,466</u>	<u>553,733</u>	<u>944,997</u>
161,507	(119,957)	135,891	397,815
215,303	447,202	858,681	4,563,212
-	-	8,575	8,575
<u>\$ 376,810</u>	<u>\$ 327,245</u>	<u>\$ 1,003,147</u>	<u>\$ 4,969,602</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, 2018**

Net change in fund balance - governmental funds	\$	397,815
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.		770,219
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.		(1,056,976)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(74,557)
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.		810,069
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals) decreases net position.		(171,970)
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.		(589,489)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.		(34,435)
Amount represents the change in accrued interest from the beginning of the period to the end of the period.		(7,221)
This amount represents the change in net pension assets and liabilities from the beginning of the period to the end of the period.		(57,569)
This amount represents the net change in the bond premium, prepaid bond insurance, and the deferred amount on refunding from the beginning of the period to the end of the period.		<u>3,592</u>
Change in net position of governmental activities	\$	<u>(10,522)</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,806,835
TOTAL ASSETS	<u>\$ 1,806,835</u>
LIABILITIES	
Amounts held for others	\$ 1,433,738
Due to other units	<u>373,097</u>
TOTAL LIABILITIES	<u>\$ 1,806,835</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, 2018**

**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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 80”), updates reporting requirements for postemployment benefits other than pensions (“OPEB”). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. Implementation of GASB 75 did not have an impact on the County’s financial disclosures.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

GASB Statement No. 83, *Certain Asset Retirement Obligations* (“GASB 83”), addresses accounting and financial reporting for certain asset retirements which include a legally enforceable liability associated with the retirement of such tangible capital asset. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The effects of implementing GASB 83 on the County’s financial disclosures have not been evaluated by management.

GASB Statement No. 84, *Fiduciary Activities* (“GASB 84”), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The effects of implementing GASB 84 on the County’s financial disclosures have not been evaluated by management.

GASB Statement No. 87, *Leases* (“GASB 87”), is intended to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The effects of implementing GASB 87 on the County’s financial disclosures have not been evaluated by management.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), is intended to improve the information that is disclosed in notes to government financial statements related to debt and to clarify which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The effects of implementing GASB 88 on the County’s financial disclosures have not been evaluated by management.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), is intended to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The effects of implementing GASB 89 on the County’s financial disclosures have not been evaluated by management.

**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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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.

*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, 2018, the general fund and road and bridge precinct 2 fund are reported as major governmental funds. Additionally, the County has elected to present the road and bridge funds for precincts 1, 3, and 4 as major funds due to their significance within the County. The County has no proprietary funds.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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, 2018.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

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;
- 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 5% of the tax year’s assessment or the receivable balance for that tax year (whichever is less).



**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**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.

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.

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/Outflows of Resources**

*Deferred Outflows of Resources.* In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The County has three types of items, which arise only under a full accrual basis of accounting, that qualify for reporting in this category: unamortized differences – pension plan actuarial assumption changes is recognized as components of pension expense at an actuarially determined rate; pension contributions subsequent to the plan measurement date, is recognized as a component of pension expense in the following fiscal year; and deferred amount on bond refunding, which is an amount that arose due to the refunding of the County's Series 2008 certificates of obligation and is being amortized to interest expense over the life of the new Series 2015 bonds.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

*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 three items that qualify for reporting in this category: unavailable revenue – property taxes, which arises only under a modified accrual basis of accounting, is reported only on the governmental funds balance sheet and recognized as an inflow of resources in the period that the amounts become available; and unamortized differences – pension plan projected and actual investment earnings and unamortized differences – pension plan expected and actual economic experience, both of which arise only under a full accrual basis of accounting, are reported on the government-wide statement of net position and are recognized as a component of pension expense at an actuarially determined rate.

**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.

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.

**Pensions**

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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**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, 2018, 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.

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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.

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**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, 2018, the County's cash deposits with depository banks totaled \$5,242,778. Included in the balances are certificates of deposit totaling \$1,143,003 and agency funds in the amount of \$1,816,648. All deposits were fully collateralized by securities pledged by the depository banks with total collateral value of \$9,035,668, 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	\$ 845,067	\$ 214,429	\$ 33,346	\$ 217,998	\$ 1,310,840
Road and bridge	-	-	303,427	-	303,427
Nonmajor funds	<u>64,983</u>	<u>-</u>	<u>653,510</u>	<u>4,003</u>	<u>722,496</u>
Gross receivables	<u>910,050</u>	<u>214,429</u>	<u>990,283</u>	<u>222,001</u>	<u>2,336,763</u>
Allowance for for uncollectibles	<u>(910,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(910,050)</u>
Total receivables, net	<u>\$ -</u>	<u>\$ 214,429</u>	<u>\$ 990,283</u>	<u>\$ 222,001</u>	<u>\$ 1,426,713</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, 2018 (tax year 2017), was \$.54000 per \$100 of assessed valuation. Of this rate, \$.06330 was allocated to debt service and \$.47670 was allocated to maintenance and operation.

Of the \$910,050 in gross property taxes receivable, \$640,905 represents the outstanding balances of assessments for tax years 2016 and prior.

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**Capital Assets**

Beginning balances have been restated to reflect corrections that resulted from physical counts of inventory, see also note that follows, *Prior Period Adjustment*. A summary of changes in capital assets for the year ended September 30, 2018, is as follows:

	Restated Balance <u>09/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>09/30/2018</u>
Capital assets, not being depreciated				
Land	\$ 149,045	\$ -	\$ -	\$ 149,045
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total not being depreciated	<u>149,045</u>	<u>-</u>	<u>-</u>	<u>149,045</u>
Capital assets, being depreciated				
Buildings and improvements	17,989,659	29,142	-	18,018,801
Infrastructure	115,733	52,720	-	168,453
Rolling stock	6,273,949	670,589	(808,007)	6,136,531
Furniture and equipment	<u>1,220,531</u>	<u>17,769</u>	<u>-</u>	<u>1,238,300</u>
Total being depreciated	<u>25,599,872</u>	<u>770,220</u>	<u>(808,007)</u>	<u>25,562,085</u>
Less accumulated depreciation:				
Buildings and improvements	(6,336,695)	(561,932)	-	(6,898,627)
Infrastructure	(22,420)	(7,303)	-	(29,723)
Rolling stock	(4,867,073)	(433,893)	636,037	(721,359)
Furniture and equipment	<u>(1,005,058)</u>	<u>(53,848)</u>	<u>-</u>	<u>(1,058,906)</u>
Total accumulated depreciation	<u>(12,231,246)</u>	<u>(1,056,976)</u>	<u>636,037</u>	<u>(12,652,185)</u>
Total being depreciated, net	<u>13,368,626</u>	<u>(286,756)</u>	<u>(171,970)</u>	<u>12,909,900</u>
Total capital assets, net	<u>\$ 13,517,671</u>	<u>\$ (286,756)</u>	<u>\$ (171,970)</u>	<u>\$ 13,058,945</u>
				Less associated debt <u>(11,703,255)</u>
				Invested in capital assets, net of related debt <u>\$ 1,355,690</u>

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

General government	\$ 61,375
Judicial and law enforcement	591,709
Highways and streets	324,666
Health and welfare	17,042
Culture and recreation	<u>62,184</u>
Total	<u>\$ 1,056,976</u>

**LIABILITIES**

**Capital Leases**

The County has entered into lease agreements as lessee to finance the acquisition of machinery and equipment and vehicles. The agreements accrue interest at rates from 1.02% to 2.75% and are all for durations greater

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
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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	\$ 81,721	\$ 1,350,081	\$ 27,681	\$ 1,459,483
Less accumulated depreciation	<u>(11,577)</u>	<u>(451,878)</u>	<u>(6,459)</u>	<u>(469,914)</u>
Total	<u>\$ 70,143</u>	<u>\$ 898,203</u>	<u>\$ 21,222</u>	<u>\$ 989,569</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, 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>
2019	\$ 28,357	\$ 192,206	\$ 9,603	\$ 230,167
2020	27,800	190,972	9,416	228,188
2021	-	141,247	-	141,247
2022	-	58,297	-	58,297
2023	<u>-</u>	<u>301,680</u>	<u>-</u>	<u>301,680</u>
Total minimum lease payments	\$ 56,157	\$ 884,402	\$ 19,019	\$ 959,979
Less amount representing interest	<u>(1,677)</u>	<u>(62,744)</u>	<u>(565)</u>	<u>(64,986)</u>
Present value of minimum lease payments	<u>\$ 54,480</u>	<u>\$ 821,658</u>	<u>\$ 18,454</u>	<u>\$ 894,593</u>

**Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Balance 09/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/18</u>	<u>Due Within One Year</u>
Long-term debt:					
2015 Bonds	\$ 8,720,000	\$ -	\$ (50,000)	\$ 8,670,000	\$ 55,000
2008 Certificates	1,900,000	-	(445,000)	1,455,000	460,000
Capital leases	620,173	589,490	(315,070)	894,593	210,154
Bond premiums:					
2008 Certificates	26,461	-	(6,615)	19,846	-
2015 Bonds	<u>708,071</u>	<u>-</u>	<u>(44,255)</u>	<u>663,816</u>	<u>-</u>
	<u>11,974,705</u>	<u>589,490</u>	<u>(860,940)</u>	<u>11,703,255</u>	<u>725,154</u>
Other:					
Compensated absences	<u>228,230</u>	<u>34,436</u>	<u>-</u>	<u>262,666</u>	<u>-</u>
Totals	<u>\$ 12,202,935</u>	<u>\$ 623,926</u>	<u>\$ (860,940)</u>	<u>\$ 11,965,921</u>	<u>\$ 725,154</u>

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

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Year Ending September 30,	Series 2015 Bonds		Series 2008 Certificates		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 55,000	\$ 306,488	\$ 460,000	\$ 59,870	\$ 210,154	\$ 20,012
2020	55,000	305,387	485,000	37,625	212,287	15,901
2021	55,000	304,288	510,000	12,750	129,544	11,703
2022	585,000	294,963	-	-	48,944	9,353
2023	605,000	277,112	-	-	293,664	8,017
2024-2028	3,320,000	1,086,869	-	-	-	-
2029-2033	3,995,000	411,700	-	-	-	-
2034-2038	-	-	-	-	-	-
Totals	<u>\$ 8,720,000</u>	<u>\$ 2,986,807</u>	<u>\$ 1,455,000</u>	<u>\$ 110,245</u>	<u>\$ 894,593</u>	<u>\$ 64,986</u>

At year end, the County had cash totaling \$11,073 available in the debt service fund to service long-term debt.

Bonds and other debt payable at September 30, 2018, 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. During fiscal year 2016, \$8,635,000 of principal was refunded, with the principal and pro-rata portion of the reoffering premium (\$122,057) being removed from the County's books.

*Houston County, Texas General Obligation Refunding Bonds, Series 2015.* In October, 2015, the County issued \$8,995,000 of general obligation refunding bonds carrying interest at rates of 2.00% to 4.00%. The County issued the bonds to advance refund a callable portion (\$8,635,000) of the outstanding *Certificates of Obligation, Series 2008* with interest at rates of 5.00% to 5.25% and original maturities of 2022-2033. The certificates were issued with an original issue premium of \$789,204. 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 net proceeds were used to purchase U.S. Government securities which were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2008 series bonds. The advance refunding was calculated by the County's financial adviser to have reduced total debt service payments over the next 18 years by over \$1,457,000. The refunding resulted in a deferred amount on refunding totaling \$818,159, which is reported on the statement of net position as a deferred outflow of resources 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 four existing leases and incurred two new leases. The



**HOUSTON COUNTY, TEXAS**  
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agreements accrue interest at rates from 1.02% to 2.75% 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 \$1,143,003 held at the County's financial institution.

*Facility Improvement Loan.* In September 2018, the County entered into a promissory note with National Bank & Trust for the purpose of funding certain energy efficiency facility improvements along with a one-time loan commitment fee of \$12,900. The loan is to be funded in multiple advances up to a total of \$1,336,682 and is payable as follows: monthly interest-only payments beginning after the first advance followed by 20 annual installment payments of principal and interest at 3.54% in varying amounts (ranging from \$77,319 to \$112,193). The loan matures in April 2038 and is secured by a first priority security interest in the facility improvements and any project funds held in escrow. As of September 30, 2018, no advances had been drawn.

**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.

**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, 2018 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 61,931	\$ (81,608)
Road and Bridge Precinct No. 1	-	(5,324)
Road and Bridge Precinct No. 2	1,212	-
Road and Bridge Precinct No. 3	-	(20,684)
Road and Bridge Precinct No. 4	-	(108,605)
Nonmajor	<u>157,061</u>	<u>(3,983)</u>
Totals	<u>\$ 220,204</u>	<u>\$ (220,204)</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, 2018:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 16,637	\$ (1,782,041)
Road and Bridge Precinct No. 1	255,564	(5,324)
Road and Bridge Precinct No. 2	337,480	-
Road and Bridge Precinct No. 3	390,071	(20,684)
Road and Bridge Precinct No. 4	363,169	(108,605)
Nonmajor	<u>795,239</u>	<u>(241,506)</u>
Totals	<u>\$ 2,158,160</u>	<u>\$ (2,158,160)</u>

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**Defined Benefit Pension Plan**

**Plan Description.** Houston County participates as one of 760 plans in the non-traditional defined benefit plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCERS in the aggregate issues a comprehensive annual financial report (“CAFR”) on a calendar year basis. The CAFR is available online at [www.tcdrs.org](http://www.tcdrs.org).

**Benefits Provided.** The County provides retirement benefits for all of its full-time employees. TCERS is a savings-based plan. For the County’s plan, 7% of each employee’s pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity. There are no automatic cost of living adjustments. The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCERS.

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

**Employees Covered by Benefit Terms.** At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	70
Inactive employees entitled to but not yet receiving benefits	129
Active employees	156
	355

**Contributions and Actuarial Information.** The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. The contribution rates for employees in TCERS are either 4%, 5%, 6%, or 7% of employee gross earnings. The employee contribution rate may be changed by the County, within the options available in the TCERS Act. Under the TCERS Act, the contribution rate of the County is actuarially determined annually, and the employer is required to contribute at that rate. The employer may increase its contribution rate and/or make additional contributions in excess of its annual required contribution.

The County has not elected the annually determined contribution rate (“ADCR”) plan provisions of the TCERS Act. The County contributed using the actuarially determined rate of 5.79% for calendar year 2017 and 6.03% for calendar year 2018. The contribution rate payable by the employee members for fiscal year 2018 is the rate of 7.00% as adopted by the County For fiscal year 2018, the County’s required contributions totaled \$285,425. The County made excess contributions totaling \$131 during the year. The County’s total contributions for the year ended September 30, 2018 were \$285,556.

The County’s Net Pension Liability/Asset (“NPL”) was measured as of December 31, 2017, and the Total Pension Liability (“TPL”) used to calculate the NPL was determined by an actuarial valuation as of that date.

**Actuarial Assumptions.** The required contribution was determined as part of the December 31, 2017, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2017, included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of assets was

**HOUSTON COUNTY, TEXAS**  
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determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The total pension liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2017, was 12.7 years.

Salary increases were based on a service-related table. Mortality rates for active members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females, projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for active members were based on 110% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled annuitants, mortality rates were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Updated mortality assumptions were adopted in 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68. Assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 8.10%. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017 for the period January 1, 2013 - December 31, 2016. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Geometric)</u>
US equities	11.5%	4.55%
Private equity	16.0%	7.55%
Global equities	1.5%	4.85%
International equities - developed	11.0%	4.55%
International equities - emerging	8.0%	5.55%
Investment-grade bonds	3.0%	0.75%
Strategic credit	8.0%	4.12%
Direct lending	10.0%	8.06%
Distressed debt	2.0%	6.30%
REIT equities	2.0%	4.05%
Master limited partnerships	3.0%	6.00%
Private real estate partnerships	6.0%	6.25%
Hedge funds	<u>18.0%</u>	4.10%
Total	100.0%	

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**Discount Rate.** The discount rate used to measure the Total Pension Liability was 8.10%, which is net of investment expenses and increased by 0.10% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Changes in the Net Pension Liability/Asset.** A schedule of changes in net pension liability/asset is as follows:

	<u>Increase (Decrease)</u>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at 12/31/2016	\$ 14,495,916	\$ 13,924,001	\$ 571,915
Changes for the year:			
Service cost	557,516	-	557,516
Interest on total pension liability	1,198,208	-	1,198,208
Effect of economic/demographic (gains) or losses	(84,713)	-	(84,713)
Effect of assumption changes or inputs	92,737	-	92,737
Refund of contributions	(45,677)	(45,677)	-
Benefit payments	(486,154)	(486,154)	-
Administrative expenses	-	(10,652)	10,652
Employer contributions	-	272,512	(272,512)
Member contributions	-	329,461	(329,461)
Net investment income	-	2,033,546	(2,033,546)
Other	-	840	(840)
Net changes	<u>1,231,917</u>	<u>2,093,876</u>	<u>(861,959)</u>
Balance at 12/31/2017	<u>\$ 15,727,832</u>	<u>\$ 16,017,877</u>	<u>\$ (290,044)</u>

**Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate.** The following presents the net pension liability/asset of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate <u>(7.1%)</u>	Discount Rate <u>(8.1%)</u>	1% Increase in Discount Rate <u>(9.1%)</u>
Total pension liability	\$ 17,740,157	\$ 15,727,832	\$ 14,029,845
Fiduciary net position	<u>16,017,875</u>	<u>16,017,876</u>	<u>16,017,875</u>
Net pension liability (asset)	<u>\$ 1,722,282</u>	<u>\$ (290,044)</u>	<u>\$ (1,988,030)</u>

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***Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions.*** For the year ended September 30, 2018, the County recognized net pension (benefit) expense of \$341,925. Net pension (benefit) expense was charged to functions/programs as follows:

<u>Function/program</u>	<u>Governmental Activities</u>
General government	\$ 60,843
Judicial and law enforcement	214,141
Highways and streets	56,380
Health and welfare	7,554
Culture and recreation	<u>3,007</u>
Total	<u>\$ 341,925</u>

At September 30, 2018, the County reported deferred amounts related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (137,750)
Difference between projected and actual investment earnings	-	(220,140)
Changes in actuarial assumptions	109,670	-
Contributions subsequent to the measurement date	<u>219,810</u>	<u>-</u>
Totals, governmental activities	<u>\$ 329,480</u>	<u>\$ (357,890)</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$219,810, will be recognized as a reduction of the net pension liability/asset for the plan year ending December 31, 2018. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan year ended December 31,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
2017	\$ 283,111	\$ (17,719)	\$ 265,392
2018	23,184	23,339	46,523
2019	23,185	(182,848)	(159,663)
2020	<u>-</u>	<u>(180,662)</u>	<u>(180,662)</u>
Total	<u>\$ 329,480</u>	<u>\$ (357,890)</u>	<u>\$ (28,410)</u>

**OTHER INFORMATION**

**Post-Employment Health Insurance Benefits**

*Plan Description.* Houston County provides a retiree health insurance program to provide post-employment group medical insurance benefits for retired employees. The plan began during the year ended September 30, 2015 and amended during fiscal year 2017 and is funded on a pay-as-you-go basis. A separate, audited GAAP-basis post-employment benefit plan report and actuarial data are not available for this plan.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

*Eligibility and Benefits.* The program is available to retirees: who have more than 16 years of continuous service with the County (including years of part-time and full-time service); are eligible for retirement benefits under TCDRS guidelines; participating in the County's group health plan prior to retirement; and have not withdrawn/transferred accumulated TCDRS retirement funds. Coverage is provided as follows: non-Medicare eligible employees are provided coverage equal to current employees for a period of six years or until the retiree becomes Medicare eligible; Medicare eligible employees will be provided with a Medicare supplement plan until death. The County's premium contribution portion ranges from 25% for a 50 year old with 25 years of service to 100% for a 59 year old with 16 years of service.

Coverage under the plan is discontinued if: the retiree withdraws/transfers accumulated TCDRS funds; coverage is dropped; the retiree fails to make required premium payments; the County discontinues group insurance or this plan.

*Funding Policy.* The County may contribute all, part, or none of the premium payment and the County's contribution, if any, is determined annually by Commissioners Court during the County budget process and is effective on a fiscal year basis. For the year ended September 30, 2018 the County contributed \$28,738 toward post-employment health insurance benefits.

**Deferred Compensation**

The County offers all of its employees deferred compensation plans through Nationwide Retirement Solutions, Inc. and the Variable Annuity Life Insurance Company ("VALIC") created in accordance with Internal Revenue Code Section 457. The plans permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are held in trust by a third-party administrator and accordingly, are not part of the County's financial statements.

**Interlocal Agreement with Houston County Hospital District**

In 2015, the County entered into an agreement with Houston County Hospital District ("HCHD") for the funding of ambulance services throughout a portion of the county, with the County and HCHD each funding a portion of the costs. As a part of the agreement, the County entered into a five-year agreement with Lifeguard Ambulance Service for ambulance services at a rate of \$20,417 per month. The agreement with Lifeguard included a sublease agreement whereby the County would provide Lifeguard with a garage and living quarters at no additional cost. The interlocal agreement with HCHD was amended in 2017 to require HCHD to reimburse the County at a rate of 100% of the monthly costs. During the year, payments made to Lifeguard totaled \$245,000. At September 30, 2018, amounts receivable from HCHD under the terms of the agreement totaled \$178,646.

**Tax Abatements**

The County enters into tax abatement agreements with local businesses under the Property Tax Abatement Act ("Act") as allowed by § 312 of the Texas Tax Code. As an economic development tool, taxing units may enter into agreements with taxpayers providing for exemptions from taxes for all or part of the increase in value of real and/or personal property for up to 10 years. As required under the act, Houston County has created a reinvestment zone and established guidelines for granting abatements to eligible businesses within the zone.

In January, 2015, the County entered into an agreement with a pipeline company seeking to construct a natural gas processing plant. Terms of the agreement include: abatement of ad valorem and personal property taxes on the value of new eligible properties beginning with tax year 2016 (base year) and continuing for 10 years; and 65% of abated taxes payable to the county on January 1 of each year following the tax year for which the

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

abatement applies. The agreement is subject to termination and abated taxes are subject to recapture in the event that the company violates the agreement or the facility is completed and begins producing product, but subsequently discontinues production (excepting certain casualty events) for a period of more than one year. For the fiscal year ended September 30, 2018, the County's gross property tax revenues were reduced by approximately \$142,081.

**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.

**Prior Period Adjustment**

*Capital Assets.* During the year, the County completed a comprehensive physical count of capital assets. As a result, beginning capital asset balances have been restated to reflect previously unrecorded asset acquisitions and disposals. The net effect to net position is summarized in the table that follows.

*Child Abuse Prevention Fund.* During the year, the County began recording the activity and balances of the child welfare board within the County's reporting unit. Accordingly, the beginning fund balance of the Child Abuse Prevention fund (a nonmajor special revenue fund) has been restated to reflect the inclusion.

	Increase (Decrease)	
Adjustments – Governmental Activities	Fund Balances	Net Position
<i>Assets</i>		
Child Abuse Prevention fund	\$ 8,575	\$ 8,575
Capital assets	-	(325,486)
Net prior period adjustments	\$ 8,575	\$ (316,911)

**Subsequent Events**

*Houston County, Texas Tax Note Series 2019.* In March 2019, the County issued \$1,800,000 of tax notes at a rate of 2.56%. The proceeds of the note (\$1,750,000 net of issuance costs of \$50,000) will be used to reimburse and provide further funding for road and bridge repairs and improvements. The tax notes were sold through a private placement and mature at varying amounts from February 15, 2020 through February 15, 2026. The notes are payable from and secured by ad valorem taxes.

Management has evaluated subsequent events through July 23, 2019, the date when the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav)
	Adopted	Appropriated		Final to Actual
<b>REVENUES</b>				
Property taxes	\$ 6,266,920	\$ 6,266,920	\$ 6,544,465	\$ 277,545
General sales and use taxes	960,000	960,000	1,145,824	185,824
Selective sales and use taxes	9,500	9,500	21,890	12,390
Fees, licenses, and permits	201,150	201,150	180,616	(20,534)
Charges for services	504,368	504,368	487,034	(17,334)
Fines and forfeitures	167,000	167,000	195,347	28,347
Intergovernmental revenue and grants	191,210	459,326	465,264	5,938
Contributions and donations from private sources	750	750	385	(365)
Payments in lieu of taxes	40,000	40,000	228,485	188,485
Investment earnings	10,087	10,087	6,426	(3,661)
Other revenue	266,300	48,042	57,547	9,505
Total revenues	<u>8,617,285</u>	<u>8,667,143</u>	<u>9,333,283</u>	<u>666,140</u>
<b>EXPENDITURES</b>				
General government				
County judge	153,140	153,665	153,491	174
County commissioners	266,025	266,025	265,223	802
County clerk	164,214	166,204	171,864	(5,660)
Information technology	115,183	115,183	104,377	10,806
Non-departmental	990,288	865,402	765,448	99,954
Human resources	6,500	6,500	960	5,540
District clerk	232,957	233,578	231,531	2,047
County juvenile board	17,213	17,213	17,093	120
Elections	85,987	117,567	100,451	17,116
County auditor	192,677	195,113	181,510	13,603
County treasurer	154,745	156,900	150,627	6,273
County tax assessor-collector	324,071	325,378	314,488	10,890
Courthouse	170,413	225,681	187,180	38,501
Insurance	101,000	93,755	63,967	29,788
Utilities	230,000	205,000	162,037	42,963
Motor pool	-	-	(265)	265
Community service restitution	57,781	57,781	56,900	881
Total general government	<u>3,262,194</u>	<u>3,200,945</u>	<u>2,926,882</u>	<u>274,063</u>
Judicial and law enforcement				
County court at law	305,787	306,025	295,600	10,425
District court	114,330	116,050	111,558	4,492
Justice of the peace, Pct No. 1	117,865	117,925	116,025	1,900
Justice of the peace, Pct No. 2	118,209	118,269	117,187	1,082
County attorney	321,590	327,895	315,353	12,542
District attorney	263,425	267,103	270,875	(3,772)
Environmental officer	46,435	43,685	32,880	10,805
County constable, Pct No. 1	43,241	45,991	45,030	961
County constable, Pct No. 2	37,670	37,670	28,075	9,595
Sheriff	1,465,099	1,478,427	1,432,763	45,664
Jail	1,335,956	1,335,956	1,375,900	(39,944)
Department of public safety	39,581	39,716	39,086	630

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**  
**(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
Judicial and law enforcement (continued)				
Adult probation	10,200	10,200	8,716	1,484
Bail bond board	1,605	1,605	1,144	461
District attorney salary supplement	28,175	28,175	29,294	(1,119)
12th court of appeals	1,400	1,400	-	1,400
Total judicial and law enforcement	4,250,568	4,276,092	4,219,486	56,606
Culture and recreation				
Veteran services officer	32,053	32,053	29,904	2,149
County extension service	93,465	93,465	92,142	1,323
Texas parks and wildlife	700	700	222	478
Historical commission	30,065	30,065	1,725	28,340
Total culture and recreation	156,283	156,283	123,993	32,290
Capital outlay				
Non-departmental	47,000	31,869	-	31,869
Courthouse	-	-	6,209	(6,209)
County attorney	-	-	32,815	(32,815)
Sheriff	-	-	18,798	(18,798)
Jail	-	-	12,050	(12,050)
Total capital outlay	47,000	31,869	69,872	(38,003)
Debt service				
Principal	32,529	32,529	32,529	-
Interest	1,729	1,729	1,729	-
Total expenditures	7,750,303	7,699,447	7,374,491	324,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	866,982	967,696	1,958,792	991,096
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	11,786	11,786	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	19,928	19,928	22,618	2,690
Transfers out	(1,633,942)	(1,746,442)	(1,788,022)	(41,580)
Net other financing sources (uses)	(1,614,014)	(1,714,728)	(1,753,618)	(38,890)
NET CHANGE IN FUND BALANCE	(747,032)	(747,032)	205,174	952,206
FUND BALANCE - BEGINNING OF YEAR	2,670,604	2,670,604	2,670,604	-
FUND BALANCE - END OF YEAR	\$ 1,923,572	\$ 1,923,572	\$ 2,875,778	\$ 952,206

See Independent Auditors' Report and Notes to the Financial Statements.

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 1**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	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	105,488	105,488	104,151	(1,337)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	6,536	6,536	14,119	7,583
Contributions and donations from private sources	-	8,905	8,905	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	71	71
Other revenue	-	-	-	-
Total revenues	<u>112,024</u>	<u>120,929</u>	<u>127,246</u>	<u>6,317</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	330,747	534,652	379,842	154,810
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	244,719	244,719	-
Debt service				
Principal	41,959	41,959	41,959	-
Interest	443	443	439	4
Total expenditures	<u>373,149</u>	<u>821,773</u>	<u>666,959</u>	<u>154,814</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(261,125)</u>	<u>(700,844)</u>	<u>(539,713)</u>	<u>161,131</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	244,719	244,719	-
Transfers in	261,125	261,125	255,564	(5,561)
Transfers out	-	-	(5,324)	(5,324)
Net other financing sources (uses)	<u>261,125</u>	<u>505,844</u>	<u>494,959</u>	<u>(10,885)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(195,000)	(44,754)	150,246
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>218,587</u>	<u>218,587</u>	<u>218,587</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 218,587</u>	<u>\$ 23,587</u>	<u>\$ 173,833</u>	<u>\$ 150,246</u>

See Independent Auditors' Report and Notes to the Financial Statements.

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 2**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav)
	Adopted	Appropriated		Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	138,800	138,800	137,041	(1,759)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	8,600	8,600	18,577	9,977
Contributions and donations from private sources	-	2,040	2,040	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	154	154
Other revenue	-	2,000	2,000	-
Total revenues	<u>147,400</u>	<u>151,440</u>	<u>159,812</u>	<u>8,372</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	448,037	505,148	426,812	78,336
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	244,719	265,379	(20,660)
Debt service				
Principal	41,421	41,421	41,420	1
Interest	1,528	1,528	1,517	11
Total expenditures	<u>490,986</u>	<u>792,816</u>	<u>735,128</u>	<u>57,688</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(343,586)</u>	<u>(641,376)</u>	<u>(575,316)</u>	<u>66,060</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	53,071	53,071	-
Proceeds from notes/capital leases	-	244,719	244,719	-
Transfers in	343,586	343,586	337,480	(6,106)
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>343,586</u>	<u>641,376</u>	<u>635,270</u>	<u>(6,106)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	59,954	59,954
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	<u>152,835</u>	<u>152,835</u>	<u>152,835</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ 152,835</u>	<u>\$ 152,835</u>	<u>\$ 212,789</u>	<u>\$ 59,954</u>

See Independent Auditors' Report and Notes to the Financial Statements.

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 3**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	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	161,008	161,008	158,967	(2,041)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,976	9,976	21,549	11,573
Contributions and donations from private sources	-	3,136	3,136	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	270	270
Other revenue	-	-	21	21
Total revenues	<u>170,984</u>	<u>174,120</u>	<u>183,943</u>	<u>9,823</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	498,644	799,110	463,327	335,783
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	31,800	31,800	-
Debt service				
Principal	67,946	168,838	168,837	1
Interest	2,954	3,732	3,659	73
Total expenditures	<u>569,544</u>	<u>1,003,480</u>	<u>667,623</u>	<u>335,857</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(398,560)</u>	<u>(829,360)</u>	<u>(483,680)</u>	<u>345,680</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	244,000	244,000	-
Proceeds from notes/capital leases	-	31,800	31,800	-
Transfers in	398,560	398,560	390,071	(8,489)
Transfers out	-	-	(20,684)	(20,684)
Net other financing sources (uses)	<u>398,560</u>	<u>674,360</u>	<u>645,187</u>	<u>(29,173)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(155,000)	161,507	316,507
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>215,303</u>	<u>215,303</u>	<u>215,303</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 215,303</u>	<u>\$ 60,303</u>	<u>\$ 376,810</u>	<u>\$ 316,507</u>

See Independent Auditors' Report and Notes to the Financial Statements.

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 4**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	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	149,904	149,904	148,004	(1,900)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,288	9,288	20,063	10,775
Contributions and donations from private sources	-	4,500	4,500	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	110	110
Other revenue	-	2,676	2,676	-
Total revenues	<u>159,192</u>	<u>166,368</u>	<u>175,353</u>	<u>8,985</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	508,711	572,537	486,820	85,717
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	68,251	156,403	(88,152)
Debt service				
Principal	21,098	21,098	21,097	1
Interest	456	456	456	-
Total expenditures	<u>530,265</u>	<u>662,342</u>	<u>664,776</u>	<u>(2,434)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(371,073)</u>	<u>(495,974)</u>	<u>(489,423)</u>	<u>6,551</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	46,650	46,650	-
Proceeds from notes/capital leases	-	68,251	68,251	-
Transfers in	371,073	371,073	363,170	(7,903)
Transfers out	-	-	(108,605)	(108,605)
Net other financing sources (uses)	<u>371,073</u>	<u>485,974</u>	<u>369,466</u>	<u>(116,508)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	-	(10,000)	(119,957)	(109,957)
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	<u>447,202</u>	<u>447,202</u>	<u>447,202</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ 447,202</u>	<u>\$ 437,202</u>	<u>\$ 327,245</u>	<u>\$ (109,957)</u>

See Independent Auditors' Report and Notes to the Financial Statements.

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS - LAST TEN YEARS \***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Plan Year Ending December 31, **			
	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 557,516	\$ 582,530	\$ 480,944	\$ 478,176
Interest on total pension liability	1,198,208	1,098,287	1,009,813	930,594
Effect of plan changes	-	-	(74,034)	-
Effect of assumption changes or inputs	92,737	-	160,468	-
Effect of economic/demographic (gains) or losses	(84,713)	(208,714)	(18,574)	(37,965)
Benefit payments/refunds of contributions	(531,831)	(489,816)	(458,381)	(415,502)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	1,231,917	982,287	1,100,236	955,303
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	14,495,915	13,513,628	12,413,392	11,458,089
<b>TOTAL PENSION LIABILITY - ENDING</b> (a)	<u>\$ 15,727,832</u>	<u>\$ 14,495,915</u>	<u>\$ 13,513,628</u>	<u>\$ 12,413,392</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 272,512	\$ 337,794	\$ 338,512	\$ 297,141
Member contributions	329,461	338,953	342,983	298,850
Investment income, net of investment expenses	2,033,546	953,230	13,409	797,258
Benefit payments/refunds of contributions	(531,831)	(489,816)	(458,381)	(415,502)
Administrative expenses	(10,652)	(10,409)	(9,219)	(9,385)
Other	840	(117,372)	19,353	13,836
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	2,093,876	1,012,380	246,657	982,198
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	13,924,000	12,911,620	12,664,963	11,682,765
<b>PLAN FIDUCIARY NET POSITION - ENDING</b> (b)	<u>\$ 16,017,876</u>	<u>\$ 13,924,000</u>	<u>\$ 12,911,620</u>	<u>\$ 12,664,963</u>
<b>NET PENSION LIABILITY (ASSET) - ENDING</b> (a - b)	<u>\$ (290,044)</u>	<u>\$ 571,915</u>	<u>\$ 602,008</u>	<u>\$ (251,571)</u>
<b>RELATED RATIOS</b>				
Plan Fiduciary Net Position as a percentage of Total Pension Liability	101.84%	96.05%	95.55%	102.03%
Pensionable Covered Payroll	\$ 4,706,590	\$ 4,825,624	\$ 4,835,892	\$ 4,269,280
Net Pension Liability (Asset) as a percentage of Covered Payroll	-6.16%	11.85%	12.45%	-5.89%

\* - GASB 68 requires ten years of data to be presented. Data for only four years are available.

\*\* - In accordance with GASB standards, the County has elected to present data calculated at the actuarial valuation/ measurement date, which occurs on December 31 of the year preceding each fiscal year.

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**HOUSTON COUNTY, TEXAS  
SCHEDULE OF PENSION CONTRIBUTIONS  
LAST TEN FISCAL YEARS\*  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Fiscal Year Ending September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 318,721	\$ 318,721	\$ -	\$ 4,559,555	7.0%
2016	339,512	339,512	-	4,850,190	7.0%
2017	290,442	290,442	-	4,732,866	6.1%
2018	285,425	285,556	(131)	4,788,525	6.0%

\* - GASB 68 requires ten years of data to be presented. Data for only four years are available.

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS**  
**SEPTEMBER 30, 2018**

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

**Methods and Assumptions Used to Determine Contribution Rates**

<i>Actuarial Cost Method</i>	Entry Age
<i>Amortization Method</i>	Level percentage of payroll, Closed
<i>Amortization Period</i>	12.7 years (based on contribution rate calculate in 12/31/17 valuation)
<i>Asset Valuation Method</i>	5-year smoothed market
<i>Inflation</i>	2.75%
<i>Salary Increases</i>	4.9% average over career including inflation, varies by age and service.
<i>Investment Rate of Return</i>	8.0%, net of investment expenses, including inflation
<i>Cost-of-Living Adjustments</i>	0.0%
<i>Retirement Age</i>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<i>Mortality</i>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
<i>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*</i>	2015: New inflation, mortality, and other assumptions were reflected. 2017: New mortality assumptions were reflected.
<i>Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*</i>	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

*\*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Schedule.*

**Other Information** No changes in plan provisions are reflected in the Schedule of Pension Contributions.

**Presentation of Schedule** In accordance with GASB standards, the District reports contribution activity included in the Schedule of Pension Contributions based on the County's fiscal year end of September 30.

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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, 2018**

	<u>Debt Service Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,631	\$ 939,958	\$ 959,589
Receivables			
Property taxes	64,983	-	64,983
Grants	-	653,510	653,510
Other - miscellaneous	-	4,003	4,003
Due from other funds	-	157,061	157,061
Prepaid items	-	6,560	6,560
<b>TOTAL ASSETS</b>	<u>\$ 84,614</u>	<u>\$ 1,761,092</u>	<u>\$ 1,845,706</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ 759,952	\$ 759,952
Accounts payable and accrued expenses	-	78,624	78,624
Due to other funds	-	3,983	3,983
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>842,559</u>	<u>842,559</u>
Fund balances			
Nonspendable	-	4,888	4,888
Restricted	84,614	806,470	891,084
Assigned	-	97,337	97,337
Unassigned	-	9,838	9,838
Total fund balances	<u>84,614</u>	<u>918,533</u>	<u>1,003,147</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 84,614</u>	<u>\$ 1,761,092</u>	<u>\$ 1,845,706</u>

See Independent Auditors' Report.

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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, 2018**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
Property taxes	\$ 831,167	\$ -	\$ 831,167
Selective sales and use taxes	-	27,125	27,125
Fees, licenses, and permits	-	200,475	200,475
Charges for services	-	102,339	102,339
Fines and forfeitures	-	129,141	129,141
Intergovernmental revenue and grants	-	1,067,508	1,067,508
Contributions and donations from private sources	-	12,288	12,288
Investment earnings	351	1,299	1,650
Other revenue	-	1,530	1,530
Total revenues	<u>831,518</u>	<u>1,541,705</u>	<u>2,373,223</u>
EXPENDITURES			
General government	-	107,865	107,865
Judicial and law enforcement	-	969,176	969,176
Highways and streets	-	191,750	191,750
Health and welfare	-	372,527	372,527
Culture and recreation	-	68,146	68,146
Pass-through expenditures	-	187,779	187,779
Capital outlay	-	2,046	2,046
Debt service			
Principal	495,000	9,227	504,227
Interest	386,984	565	387,549
Total expenditures	<u>881,984</u>	<u>1,909,081</u>	<u>2,791,065</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(50,466)</u>	<u>(367,376)</u>	<u>(417,842)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	-	-
Transfers in	15,545	779,694	795,239
Transfers out	-	(241,506)	(241,506)
Net other financing sources (uses)	<u>15,545</u>	<u>538,188</u>	<u>553,733</u>
NET CHANGE IN FUND BALANCE	(34,921)	170,812	135,891
FUND BALANCE - BEGINNING OF YEAR	<u>119,535</u>	<u>739,146</u>	<u>858,681</u>
FUND BALANCE - END OF YEAR	<u>\$ 84,614</u>	<u>\$ 918,533</u>	<u>\$ 1,003,147</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2018**

	Jury Fund	Airport Fund	Courthouse Security Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 24,713	\$ 7,412	\$ 34,016
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	4,230	-	842
Prepaid items	<u>1,672</u>	<u>388</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 30,615</u></u>	<u><u>\$ 7,800</u></u>	<u><u>\$ 34,858</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	10,098	507	2,563
Due to other funds	-	388	106
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>10,098</u>	<u>895</u>	<u>2,669</u>
Fund balances			
Nonspendable	-	388	-
Restricted	20,517	-	32,189
Assigned	-	6,517	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>20,517</u>	<u>6,905</u>	<u>32,189</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 30,615</u></u>	<u><u>\$ 7,800</u></u>	<u><u>\$ 34,858</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>
\$ 3,258	\$ 62,541	\$ 34,305	\$ 14,406	\$ 10,898	\$ -
-	-	-	-	-	-
-	4,003	-	-	-	-
645	-	-	114	462	53
-	3,000	-	-	-	-
<u>\$ 3,903</u>	<u>\$ 69,544</u>	<u>\$ 34,305</u>	<u>\$ 14,520</u>	<u>\$ 11,360</u>	<u>\$ 53</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,800	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	3,000	-	-	-	-
2,103	66,544	-	14,520	11,360	53
-	-	34,305	-	-	-
-	-	-	-	-	-
<u>2,103</u>	<u>69,544</u>	<u>34,305</u>	<u>14,520</u>	<u>11,360</u>	<u>53</u>
<u>\$ 3,903</u>	<u>\$ 69,544</u>	<u>\$ 34,305</u>	<u>\$ 14,520</u>	<u>\$ 11,360</u>	<u>\$ 53</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2018**

	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,891	\$ 9,572	\$ 31,695
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	105	35	-
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,996</u></u>	<u><u>\$ 9,607</u></u>	<u><u>\$ 31,695</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	7,996	-	-
Assigned	-	9,607	31,695
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u><u>7,996</u></u>	<u><u>9,607</u></u>	<u><u>31,695</u></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 7,996</u></u>	<u><u>\$ 9,607</u></u>	<u><u>\$ 31,695</u></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>
\$ 45,391	\$ 22,522	\$ -	\$ -	\$ -	\$ 149,670
-	-	-	-	-	-
-	-	-	-	-	-
13,187	528	2,689	120	90	100
-	-	-	-	-	-
<u>\$ 58,578</u>	<u>\$ 23,050</u>	<u>\$ 2,689</u>	<u>\$ 120</u>	<u>\$ 90</u>	<u>\$ 149,770</u>
\$ -	\$ -	\$ 983	\$ -	\$ -	\$ -
1,176	-	1,216	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,176</u>	<u>-</u>	<u>2,199</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
57,402	23,050	490	120	90	149,770
-	-	-	-	-	-
-	-	-	-	-	-
<u>57,402</u>	<u>23,050</u>	<u>490</u>	<u>120</u>	<u>90</u>	<u>149,770</u>
<u>\$ 58,578</u>	<u>\$ 23,050</u>	<u>\$ 2,689</u>	<u>\$ 120</u>	<u>\$ 90</u>	<u>\$ 149,770</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2018**

	District Clerk Archives	Co Attorney Pre-trial Intervention	Hot Check Fees
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,456	\$ 22,641	\$ 2,369
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	230	-	-
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,686</u></u>	<u><u>\$ 22,641</u></u>	<u><u>\$ 2,369</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	155	218	161
Due to other funds	-	-	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>155</u>	<u>218</u>	<u>161</u>
Fund balances			
Nonspendable	-	-	-
Restricted	8,531	22,423	-
Assigned	-	-	2,208
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,531</u>	<u>22,423</u>	<u>2,208</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 8,686</u></u>	<u><u>\$ 22,641</u></u>	<u><u>\$ 2,369</u></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>
\$ 1,122	\$ 1,846	\$ 13,153	\$ 18,179	\$ 12,053	\$ 8,426
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,122</u>	<u>1,846</u>	<u>13,153</u>	<u>18,179</u>	<u>12,053</u>	<u>8,426</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
170	-	-	250	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>170</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	1,846	13,153	17,929	-	8,426
952	-	-	-	12,053	-
-	-	-	-	-	-
<u>952</u>	<u>1,846</u>	<u>13,153</u>	<u>17,929</u>	<u>12,053</u>	<u>8,426</u>
<u>\$ 1,122</u>	<u>\$ 1,846</u>	<u>\$ 13,153</u>	<u>\$ 18,179</u>	<u>\$ 12,053</u>	<u>\$ 8,426</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2018**

	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Miscellaneous Grants</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,759	\$ 423	\$ 4,470
Receivables			
Grants	-	-	14,065
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 5,759</u></u>	<u><u>\$ 423</u></u>	<u><u>\$ 18,535</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	513	-	14,170
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>513</u>	<u>-</u>	<u>14,170</u>
Fund balances			
Nonspendable	-	-	-
Restricted	5,246	423	4,365
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>5,246</u>	<u>423</u>	<u>4,365</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 5,759</u></u>	<u><u>\$ 423</u></u>	<u><u>\$ 18,535</u></u>



<u>Senior Fund</u>	<u>Emergency Management Grant</u>	<u>Victims Assistance Grant</u>	<u>Juvenile Probation</u>	<u>911 Addressing Grant</u>	<u>Ike Grant</u>
\$ 44,847	\$ -	\$ -	\$ -	\$ -	\$ -
9,561	28,779	5,557	-	-	-
-	-	-	-	-	-
-	230	-	-	-	-
1,500	-	-	-	-	-
<u>\$ 55,908</u>	<u>\$ 29,009</u>	<u>\$ 5,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 38,661	\$ 6,481	\$ 2,811	\$ 1,158	\$ -
18,041	2,480	1,667	6,293	1,314	-
-	-	-	-	230	-
-	-	-	-	-	-
18,041	41,141	8,148	9,104	2,702	-
1,500	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
36,367	(12,132)	(2,591)	(9,104)	(2,702)	-
37,867	(12,132)	(2,591)	(9,104)	(2,702)	-
<u>\$ 55,908</u>	<u>\$ 29,009</u>	<u>\$ 5,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2018**

	Timber & Mineral Funds	CETRZ Grant	Election Services Contracts
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 334,906	\$ -	\$ 3,018
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 334,906</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,018</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	334,906	-	3,018
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>334,906</u>	<u>-</u>	<u>3,018</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 334,906</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,018</u></u>

<u>FEMA Funds</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 939,958
595,548	653,510
-	4,003
133,401	157,061
<u>-</u>	<u>6,560</u>
<u>\$ 728,949</u>	<u>\$ 1,761,092</u>

\$ 709,858	\$ 759,952
15,832	78,624
3,259	3,983
<u>-</u>	<u>-</u>
<u>728,949</u>	<u>842,559</u>

-	4,888
-	806,470
-	97,337
<u>-</u>	<u>9,838</u>
<u>-</u>	<u>918,533</u>
<u>\$ 728,949</u>	<u>\$ 1,761,092</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Jury Fund	Airport Fund	Courthouse Security Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	38,367	-	6,717
Charges for services	-	61,301	-
Fines and forfeitures	-	-	5,373
Intergovernmental revenue and grants	50,627	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	32	-	54
Other revenue	-	-	-
Total revenues	<u>89,026</u>	<u>61,301</u>	<u>12,144</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	479,711	-	65,333
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	68,146	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>479,711</u>	<u>68,146</u>	<u>65,333</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(390,685)</u>	<u>(6,845)</u>	<u>(53,189)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	427,000	4,500	62,000
Transfers out	-	-	-
Net other financing sources (uses)	<u>427,000</u>	<u>4,500</u>	<u>62,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	36,315	(2,345)	8,811
<b>FUND BALANCE - BEGINNING OF YEAR</b>	(15,798)	9,250	23,378
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 20,517</u>	<u>\$ 6,905</u>	<u>\$ 32,189</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>
\$ -	\$ 27,125	\$ -	\$ -	\$ -	\$ -
9,139	-	-	-	-	1,064
-	-	-	-	-	-
-	-	-	1,774	7,154	-
-	-	-	-	-	-
-	-	-	-	-	-
13	95	-	20	14	2
-	1,530	-	-	-	-
<u>9,152</u>	<u>28,750</u>	<u>-</u>	<u>1,794</u>	<u>7,168</u>	<u>1,066</u>
10,800	17,642	-	-	-	-
-	-	-	-	9,944	184
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	2,046
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,800</u>	<u>17,642</u>	<u>-</u>	<u>-</u>	<u>9,944</u>	<u>2,230</u>
<u>(1,648)</u>	<u>11,108</u>	<u>-</u>	<u>1,794</u>	<u>(2,776)</u>	<u>(1,164)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(4,500)	-	-	-
-	-	(4,500)	-	-	-
(1,648)	11,108	(4,500)	1,794	(2,776)	(1,164)
3,751	58,436	38,805	12,726	14,136	1,217
-	-	-	-	-	-
<u>\$ 2,103</u>	<u>\$ 69,544</u>	<u>\$ 34,305</u>	<u>\$ 14,520</u>	<u>\$ 11,360</u>	<u>\$ 53</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<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	1,200	302	89,655
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	4,355	-
Investment earnings	12	7	77
Other revenue	-	-	-
Total revenues	<u>1,212</u>	<u>4,664</u>	<u>89,732</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	6,342	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>-</u>	<u>6,342</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,212</u>	<u>(1,678)</u>	<u>89,732</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	2,000	-
Transfers out	-	-	(94,000)
Net other financing sources (uses)	<u>-</u>	<u>2,000</u>	<u>(94,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,212	322	(4,268)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	6,784	710	35,963
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>8,575</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,996</u>	<u>\$ 9,607</u>	<u>\$ 31,695</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	13,833	32,381	2,054	1,283	1,460
-	-	-	-	-	-
100,766	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
66	25	3	2	-	214
-	-	-	-	-	-
<u>100,832</u>	<u>13,858</u>	<u>32,384</u>	<u>2,056</u>	<u>1,283</u>	<u>1,674</u>
-	476	40,200	2,098	1,452	23,413
-	-	-	-	-	-
23,162	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>23,162</u>	<u>476</u>	<u>40,200</u>	<u>2,098</u>	<u>1,452</u>	<u>23,413</u>
<u>77,670</u>	<u>13,382</u>	<u>(7,816)</u>	<u>(42)</u>	<u>(169)</u>	<u>(21,739)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(92,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(92,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(14,330)	13,382	(7,816)	(42)	(169)	(21,739)
71,732	9,668	8,306	162	259	171,509
-	-	-	-	-	-
<u>\$ 57,402</u>	<u>\$ 23,050</u>	<u>\$ 490</u>	<u>\$ 120</u>	<u>\$ 90</u>	<u>\$ 149,770</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	District Clerk Archives	Co Attorney Pre-trial Intervention	Hot Check Fees
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	3,020	-	-
Charges for services	-	-	-
Fines and forfeitures	-	5,070	2,512
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	18	30	10
Other revenue	-	-	-
Total revenues	<u>3,038</u>	<u>5,100</u>	<u>2,522</u>
EXPENDITURES			
General government	8,302	-	-
Judicial and law enforcement	-	3,021	8,967
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>8,302</u>	<u>3,021</u>	<u>8,967</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,264)</u>	<u>2,079</u>	<u>(6,445)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(5,264)	2,079	(6,445)
FUND BALANCE - BEGINNING OF YEAR	13,795	20,344	8,653
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 8,531</u>	<u>\$ 22,423</u>	<u>\$ 2,208</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
628	-	3,533	1,166	-	-
-	-	-	-	-	6,807
-	-	-	-	187	-
2	3	19	27	18	7
-	-	-	-	-	-
<u>630</u>	<u>3</u>	<u>3,552</u>	<u>1,193</u>	<u>205</u>	<u>6,814</u>
-	-	-	-	-	-
710	-	1,212	70	-	3,298
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>710</u>	<u>-</u>	<u>1,212</u>	<u>70</u>	<u>-</u>	<u>3,298</u>
<u>(80)</u>	<u>3</u>	<u>2,340</u>	<u>1,123</u>	<u>205</u>	<u>3,516</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(80)</u>	<u>3</u>	<u>2,340</u>	<u>1,123</u>	<u>205</u>	<u>3,516</u>
1,032	1,843	10,813	16,806	11,848	4,910
-	-	-	-	-	-
<u>\$ 952</u>	<u>\$ 1,846</u>	<u>\$ 13,153</u>	<u>\$ 17,929</u>	<u>\$ 12,053</u>	<u>\$ 8,426</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Miscellaneous Grants</u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	27,500	-	17,786
Contributions and donations from private sources	-	-	-
Investment earnings	-	8	163
Other revenue	-	-	-
Total revenues	<u>27,500</u>	<u>8</u>	<u>17,949</u>
<b>EXPENDITURES</b>			
General government	-	(93)	3,000
Judicial and law enforcement	14,179	-	13,460
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>14,179</u>	<u>(93)</u>	<u>16,460</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>13,321</u>	<u>101</u>	<u>1,489</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	(13,379)	-	-
Net other financing sources (uses)	<u>(13,379)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(58)	101	1,489
<b>FUND BALANCE - BEGINNING OF YEAR</b>	5,304	322	2,876
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,246</u>	<u>\$ 423</u>	<u>\$ 4,365</u>

<u>Senior Fund</u>	<u>Emergency Management Grant</u>	<u>Victims Assistance Grant</u>	<u>Juvenile Probation</u>	<u>911 Addressing Grant</u>	<u>Ike Grant</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
41,038	-	-	-	-	-
-	-	-	1,165	-	-
292,866	31,560	45,251	156,726	30,000	-
2,196	5,550	-	-	-	-
1	-	-	82	-	(3)
-	-	-	-	-	-
<u>336,101</u>	<u>37,110</u>	<u>45,251</u>	<u>157,973</u>	<u>30,000</u>	<u>(3)</u>
-	-	-	-	-	-
-	92,230	54,835	215,680	-	-
-	-	-	-	35,186	-
372,527	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,227	-	-	-	-	-
565	-	-	-	-	-
<u>382,319</u>	<u>92,230</u>	<u>54,835</u>	<u>215,680</u>	<u>35,186</u>	<u>-</u>
<u>(46,218)</u>	<u>(55,120)</u>	<u>(9,584)</u>	<u>(57,707)</u>	<u>(5,186)</u>	<u>(3)</u>
-	-	-	-	-	-
60,000	25,000	11,424	50,000	4,368	-
-	(4,368)	-	-	-	-
<u>60,000</u>	<u>20,632</u>	<u>11,424</u>	<u>50,000</u>	<u>4,368</u>	<u>-</u>
13,782	(34,488)	1,840	(7,707)	(818)	(3)
24,085	22,356	(4,431)	(1,397)	(1,884)	3
-	-	-	-	-	-
<u>\$ 37,867</u>	<u>\$ (12,132)</u>	<u>\$ (2,591)</u>	<u>\$ (9,104)</u>	<u>\$ (2,702)</u>	<u>\$ -</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Timber & Mineral Funds	CETRZ Grant	Election Services Contracts
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	401,533	-	3,593
Contributions and donations from private sources	-	-	-
Investment earnings	278	-	-
Other revenue	-	-	-
Total revenues	<u>401,811</u>	<u>-</u>	<u>3,593</u>
EXPENDITURES			
General government	-	-	575
Judicial and law enforcement	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	187,779	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>187,779</u>	<u>-</u>	<u>575</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>214,032</u>	<u>-</u>	<u>3,018</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	(30,000)	-	-
Net other financing sources (uses)	<u>(30,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	184,032	-	3,018
FUND BALANCE - BEGINNING OF YEAR	150,874	-	-
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 334,906</u>	<u>\$ -</u>	<u>\$ 3,018</u>

FEMA Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ 27,125
-	200,475
-	102,339
-	129,141
3,259	1,067,508
-	12,288
-	1,299
-	1,530
3,259	1,541,705
-	107,865
-	969,176
133,402	191,750
-	372,527
-	68,146
-	187,779
-	2,046
-	9,227
-	565
133,402	1,909,081
(130,143)	(367,376)
-	-
133,402	779,694
(3,259)	(241,506)
130,143	538,188
-	170,812
-	739,146
-	8,575
\$ -	\$ 918,533

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2018**

	County Attorney Hot Check	DA Forfeiture Trust Fund	Sheriff's Inmate Trust Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,500	\$ 14,594	\$ 14,725
TOTAL ASSETS	\$ 1,500	\$ 14,594	\$ 14,725
<b>LIABILITIES</b>			
Amounts held for others	\$ 1,500.00	\$ 14,594.00	\$ 14,725
Due to other units	-	-	-
TOTAL LIABILITIES	\$ 1,500	\$ 14,594	\$ 14,725

<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>
\$ 9,350	\$ 118,220	\$ 36,108	\$ 273	\$ 3,823	\$ 220
<u>\$ 9,350</u>	<u>\$ 118,220</u>	<u>\$ 36,108</u>	<u>\$ 273</u>	<u>\$ 3,823</u>	<u>\$ 220</u>
\$ 7,485	\$ -	\$ -	\$ -	\$ -	\$ -
<u>1,865</u>	<u>118,220</u>	<u>36,108</u>	<u>273</u>	<u>3,823</u>	<u>220</u>
<u>\$ 9,350</u>	<u>\$ 118,220</u>	<u>\$ 36,108</u>	<u>\$ 273</u>	<u>\$ 3,823</u>	<u>\$ 220</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2018**

	<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	\$ 207,808	\$ 4,638	\$ 142
TOTAL ASSETS	<u>\$ 207,808</u>	<u>\$ 4,638</u>	<u>\$ 142</u>
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ -	\$ -
Due to other units	<u>207,808</u>	<u>4,638</u>	<u>142</u>
TOTAL LIABILITIES	<u>\$ 207,808</u>	<u>\$ 4,638</u>	<u>\$ 142</u>



<u>County Clerk Trust Fund</u>	<u>District Clerk Trust Fund</u>	<u>Total Agency Funds</u>
\$ 965,475	\$ 429,959	\$ 1,806,835
<u>\$ 965,475</u>	<u>\$ 429,959</u>	<u>\$ 1,806,835</u>
\$ 965,475	\$ 429,959	\$ 1,433,738
-	-	373,097
<u>\$ 965,475</u>	<u>\$ 429,959</u>	<u>\$ 1,806,835</u>

See Independent Auditors' Report.

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

To the Honorable County Judge and  
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, 2018, and the related notes to the financial statements, which collectively comprise Houston County, Texas' basic financial statements and have issued our report thereon dated July 23, 2019.

### **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. However, material weaknesses may exist that have not been identified.

### **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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

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AUDITING STANDARDS* – CONTINUED**

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

**Purpose of this Report**

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

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

July 23, 2019

**HOUSTON COUNTY, TEXAS  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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Financial Statements Audit Findings

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None

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**HOUSTON COUNTY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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Financial Statements Audit Findings

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**2017-001** *Significant Deficiency: Accounting for Capital Assets*  
*Previously Outstanding: 2016-001, 2015-001 and 2014-001*

**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.

**Status.** Multiple physical inventory counts, by external parties as well as the County's internal audit department personnel, during the year. Assets were tagged with barcodes. Relevant information (such as description, location, purchase date, cost, etc.) were entered (or updated) in the County's asset tracking software.

The County's software-generated listing of assets was compared to the external auditor's records, making note of any differences that existed. Differences were evaluated by County management and appropriate corrections were made to either the County's listing or the external auditor's listing. The two listings were reconciled as of September 30, 2018.

Only one recommendation – that management update its fixed asset policy regarding its on-going plans for physical counts of assets in each department/location on a rotating basis, not less than biannually – has not been completed, though it is management's intent.

We consider this finding resolved.