

**HOUSTON COUNTY, TEXAS**  
**AUDITED FINANCIAL STATEMENTS**  
**AND COMPLIANCE REPORTS**  
**SEPTEMBER 30, 2020**



## **INTRODUCTORY SECTION**

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**HOUSTON COUNTY, TEXAS  
PRINCIPAL PUBLIC OFFICIALS  
AT SEPTEMBER 30, 2020**

**COMMISSIONERS COURT**

Jim Lovell ..... County Judge  
Gary Lovell ..... Commissioner Precinct No. 1  
Willie Kitchen ..... Commissioner Precinct No. 2  
Pat Perry ..... Commissioner Precinct No. 3  
Jimmy Henderson ..... Commissioner Precinct No. 4

**COUNTY ELECTED OFFICIALS**

Morris Luker ..... Constable Precinct No. 1  
Kenneth Smith ..... Constable Precinct No. 2  
Daphne Session ..... County Attorney  
Terri Meadows ..... County Clerk  
Sarah T. Clark ..... County Court at Law  
Charles R. Hodges ..... County Surveyor  
Janis Omelina ..... County Treasurer  
Clyde Black ..... Justice of the Peace, Precinct No. 1  
Ronnie Jordan ..... Justice of the Peace, Precinct No. 2  
Justin Killough ..... 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**

Melissa Jeter ..... County Auditor  
Thomas Streetman ..... Juvenile Probation Department  
Jo Smith ..... County Extension Agent – Agriculture  
Tasha Brent ..... County Extension Agent – Family & Consumer Science  
Roger Dickey ..... Emergency Management Coordinator & Fire Marshal  
Milton Ladnier ..... Veteran Service Officer  
Cynthia Lum ..... Elections Administrator  
Terrell McKnight ..... Building Maintenance Supervisor

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**FINANCIAL SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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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

## 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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

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

## INDEPENDENT AUDITORS' REPORT – CONTINUED

fund information of Houston County, Texas, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, and the schedule of pension contributions and related notes on pages 11 - 17 and 63 - 81, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements on pages 87-115 and the schedule of expenditures of federal awards on page 123 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on pages 119-120, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit

**INDEPENDENT AUDITORS' REPORT – CONTINUED**

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

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 29, 2021

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**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
(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, 2020. 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 \$6,774,649 (net position) at September 30, 2020. Of this amount, \$2,827,104 is available to be used to meet the County's ongoing obligations to citizens and creditors.
- Total assets increased by \$717,357 from the prior year; total liabilities decreased by \$1,681,590 from the prior year.
- Overall revenues exceeded expenses (or an increase in net position) by \$1,098,139. Depreciation expense of \$1,159,196 is included in these expenses.

**Fund Financial Statements**

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$3,313,094. Overall expenditures exceeded revenues by \$400,725.
- At September 30, 2020, unassigned fund balance for the General Fund was \$873,296, or approximately 11% 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, 2020  
(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 60 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 \$6,774,649 at September 30, 2020.

The largest portion of the County's net position, or \$1,577,096, reflects its investment in capital assets (\$13,473,782) less the related debt used to acquire those assets that remains outstanding (\$11,896,686). 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 \$2,370,449 represents resources that are subject to restriction on how they may be used. The remaining balance of \$2,827,104 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, 2020  
(UNAUDITED)**

**The County's Net Position**

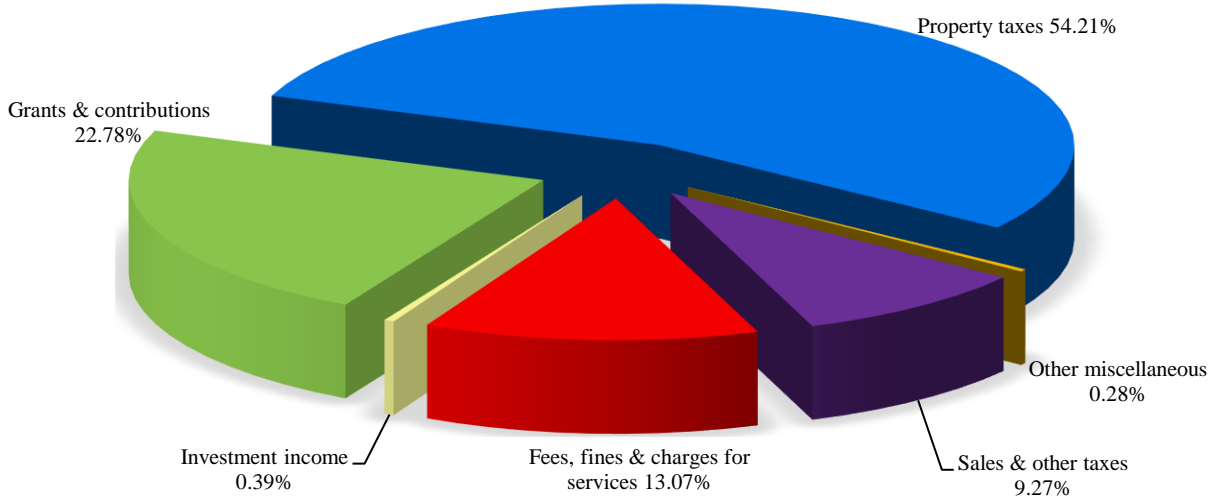
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 7,340,362	\$ 6,202,704
Capital assets, net	<u>13,473,782</u>	<u>13,894,083</u>
Total assets	<u>20,814,144</u>	<u>20,096,787</u>
Deferred outflows of resources	<u>887,966</u>	<u>1,892,632</u>
Total deferred outflows	<u>887,966</u>	<u>1,892,632</u>
Long-term debt	13,471,686	14,106,572
Other liabilities	<u>1,023,569</u>	<u>2,070,273</u>
Total liabilities	<u>14,495,255</u>	<u>16,176,845</u>
Deferred inflows of resources	<u>432,206</u>	<u>136,064</u>
Total deferred inflows	<u>432,206</u>	<u>136,064</u>
Net position		
Invested in capital assets, net of related debt	1,577,096	2,220,303
Restricted	2,370,449	2,315,241
Unrestricted	<u>2,827,104</u>	<u>1,140,966</u>
Total net position	<u>\$ 6,774,649</u>	<u>\$ 5,676,510</u>

**Change in Net Position**

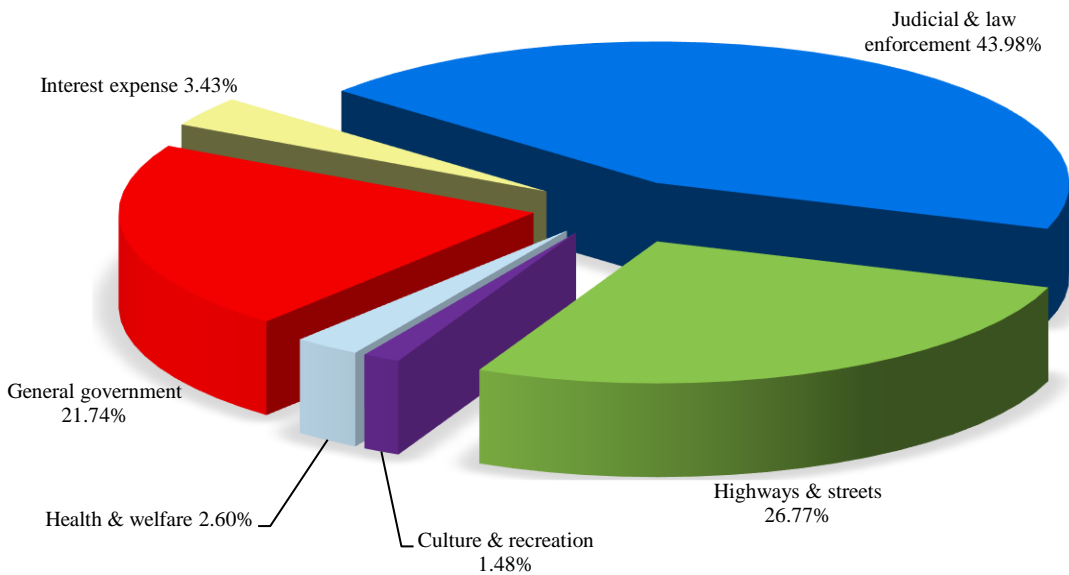
	<u>2020</u>	<u>2019</u>
Revenues		
Fees, fines, charges for services	\$ 1,949,632	\$ 1,835,088
Property taxes	8,089,561	7,390,278
Sales taxes	1,260,626	1,593,666
Other taxes	79,801	102,034
Investment income	58,512	15,924
Grants and contributions	3,398,848	2,936,501
Payment in lieu of taxes	43,277	63,362
Loss on sale of assets	(3,024)	37,003
Other miscellaneous	<u>45,028</u>	<u>39,065</u>
Total revenues	<u>14,922,261</u>	<u>14,012,921</u>
Expenses		
General government	3,005,412	3,541,166
Judicial and law enforcement	6,080,093	6,146,198
Highways and streets	3,510,742	3,427,792
Health and welfare	352,082	406,903
Culture and recreation	204,209	228,242
Pass-through expenditures	197,753	204,136
Debt issuance costs	-	58,563
Interest on long-term debt	<u>473,831</u>	<u>389,976</u>
Total expenses	<u>13,824,122</u>	<u>14,402,976</u>
Increase (decrease) in net position	1,098,139	(390,055)
Net position at beginning of year	<u>5,676,510</u>	<u>6,066,565</u>
Net position at end of year	<u>\$ 6,774,649</u>	<u>\$ 5,676,510</u>

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
(UNAUDITED)**

**Revenues by Source  
For the Fiscal Year Ended September 30, 2020**



**Expenses by Function  
For the Fiscal Year Ended September 30, 2020**



**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
(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, 2020, the County's governmental funds reported a total fund balance of \$3,313,094. This fund balance is comprised of \$2,545,763 that is either in a nonspendable form, restricted or assigned for specific purpose. The remaining balance, \$767,331, is unassigned. Overall expenditures exceeded revenues in the current year by \$400,725.

**Budgetary Comparisons.** A comparison of the general fund, each individual road and bridge fund, and FEMA fund budget and actual results are presented as required supplementary information on pages 63 to 75.

*General Fund.* Actual revenues were lower than budgeted amounts by \$115,747. Actual expenditures were lower than budgeted amounts by \$390,414. Actual other financing sources (uses) were favorable to budgeted amounts by \$3,549. No change in fund balance had been projected. Overall fund balance increased by \$278,216.

*Road and Bridge Funds.* Actual revenues were higher than budgeted amounts by \$25,182. Actual expenditures were lower than budgeted amounts by \$263,737. An overall decrease in fund balance of \$465,000 had been projected, using prior year budget carryovers to fund the decrease. The actual increase in fund balance was \$515,631.

*FEMA Fund.* Actual revenues were higher than budgeted amounts by \$174,932. Actual expenditures were higher than budgeted amounts by \$423,110. No change in fund balance had been projected. Overall fund balance decreased by \$568,764.

**CAPITAL ASSETS**

The County's investment in capital assets as of September 30, 2020 totaled \$13,473,782 (net of accumulated depreciation).

Capital assets of \$745,312 were purchased during the year. Significant purchases included:

- iDocket software for the County and District Clerks (funded by debt)
- Roof replacement on the old jail
- 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, 2020  
(UNAUDITED)**

**Capital Assets (Net of Depreciation)**

	<u>2020</u>	<u>2019</u>
Land	\$ 149,045	\$ 149,045
Buildings and improvements	19,133,224	18,991,864
Infrastructure	243,469	243,469
Rolling stock	7,012,279	6,747,494
Furniture and equipment	1,491,642	1,321,643
Less: accumulated depreciation	<u>(14,555,877)</u>	<u>(13,559,432)</u>
Total	<u>\$ 13,473,782</u>	<u>\$ 13,894,083</u>

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$13,471,686. New debt issued during the year included:

- Four new capital leases totaling \$432,995 (to fund various vehicle purchases)

**Debt Outstanding**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Certificates of obligation	\$ 9,610,000	\$ -	\$ 540,000	\$ 9,070,000
Unamortized premiums	632,792	-	50,870	581,922
Tax anticipation notes	1,800,000	-	225,000	1,575,000
Notes payable	1,194,542	-	32,000	1,162,542
Capital leases	<u>869,238</u>	<u>432,995</u>	<u>220,011</u>	<u>1,082,222</u>
Total	<u>\$ 14,106,572</u>	<u>\$ 432,995</u>	<u>\$ 1,067,881</u>	<u>\$ 13,471,686</u>

**ECONOMIC FACTORS AND FUTURE FUNDING**

Houston County, the first county established by the Republic of Texas, is east of Waco in the East Texas Timberlands region. It is bordered on the north by Anderson County, on the east by Cherokee, Angelina, and Trinity counties, on the south by Walker and Madison counties, and on the west by Leon County. Houston County covers 1,237 square miles, 791,680 acres, with elevations ranging from 200 to 300 feet. The Neches River forms the northeastern boundary of the county, and the Trinity River is the western boundary. Between 21 and 30 percent of the land in the county is considered prime farmland.

Houston County cities include Crockett, the county seat, Grapeland, Kennard, Latexo and Lovelady. School Districts within Houston County include Crockett ISD, Grapeland ISD, Kennard ISD, Latexo ISD, Lovelady ISD and portions of Elkhart ISD and Groveton ISD.

The Davy Crockett National Forest is administered by the United States Department of Agriculture Forest Service with a local ranger district office in Ratcliff and encompasses 94,481 acres of Houston County land.

Union Pacific Railroad provides freight rail service. The Houston County Airport (KDKR) features a 4,000-foot runway with on-site aircraft services.

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020  
(UNAUDITED)**

As of the 2010 census, there were 23,732 people and 8,656 households residing in the county. The median income for a household in the county was \$31,929, and the median income for a family was \$43,742.

Local property taxes provide the major source of funding for county governments in Texas. Property tax revenue is historically very stable and predictable.

In an effort to find cost savings and perform energy upgrades, Commissioners Court approved a \$1.2 million contract with Johnson Controls to purchase and install new HVAC Equipment and lighting at the Courthouse, Annex, Senior Center and Old Jail buildings. The majority of the work was completed in FY 2019.

From September to November, 2018, Houston County experienced yet another disaster flooding event. Over \$4 million dollars in damages was submitted to FEMA and Texas Department of Emergency Management for reimbursement. The repairs were ongoing through April, 2021. Houston County will receive 75% of the cost of the repairs from the FEMA grant. The Houston County Commissioners Court opted to take out a Tax Note in the amount of \$1.8 million to help carry the cost of the FEMA grant until reimbursement could be received. The note will be paid off in 7 years, or 2026.

Houston County's overall taxable assessed value has risen slightly over the last several years due to increases in commercial and residential growth as well as mandated value increases by the Houston County Appraisal District and the Texas Comptroller.

In March, 2020, Texas Governor Greg Abbott declared a COVID-19 Pandemic. The State of Texas and Houston County was under another disaster. Our citizens were strong and resilient; willing to support each other during the difficult times in any way they could including sewing face masks, delivering food to those who could not get out due to health concerns and supporting essential workers with phone calls of encouragement.

Through March 2021, the Houston County Health Care Providers gave accessibility to the Covid vaccine. The mandates and restrictions were lifted so the County could reopen to full capacity. As of June 2021, Houston County kept fairly low Covid cases with most recovering without hospitalization through the pandemic. We continue to stay vigilant with safe practices while protecting the livelihood of businesses, families and the labor forces of Houston County.

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.

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.

With cost cutting measures and adopting the same tax rate of \$0.532/\$100 for FY 2021, the County has continued to provide services to Houston County at a superior level.

**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, 2020**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,122,331	\$ 1,122,331
Receivables		
Property taxes, net of allowance for uncollectibles	91,425	91,425
Sales tax receivable	180,602	180,602
Grants	2,949,831	2,949,831
Other - miscellaneous	290,028	290,028
Prepays	145,373	145,373
Restricted assets		
Cash and cash equivalents	1,121,100	1,121,100
Certificates of deposit	1,289,712	1,289,712
Net pension asset	149,960	149,960
Capital assets, net of accumulated depreciation	13,473,782	13,473,782
<b>TOTAL ASSETS</b>	<b>20,814,144</b>	<b>20,814,144</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on bond refunding	596,415	596,415
Pension plan	291,551	291,551
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>887,966</b>	<b>887,966</b>
<b>LIABILITIES</b>		
Accounts payable	427,554	427,554
Accrued expenses	304,563	304,563
Accrued interest	83,422	83,422
Unearned revenues	39,947	39,947
Compensated absences	168,083	168,083
Long-term debt		
Due within one year	1,241,294	1,241,294
Due in more than one year	12,230,392	12,230,392
<b>TOTAL LIABILITIES</b>	<b>14,495,255</b>	<b>14,495,255</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension plan	432,206	432,206
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>432,206</b>	<b>432,206</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,577,096	1,577,096
Restricted for		
Deposits held as collateral by others	1,289,712	1,289,712
Debt service	58,994	58,994
General government	223,823	223,823
Judicial and law enforcement	260,703	260,703
Highways and streets	364,742	364,742
Culture and recreation	172,475	172,475
Unrestricted	2,827,104	2,827,104
<b>TOTAL NET POSITION</b>	<b>\$ 6,774,649</b>	<b>\$ 6,774,649</b>

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 3,005,412
Judicial and law enforcement	6,080,093
Highways and streets	3,510,742
Health and welfare	352,082
Culture and recreation	204,209
Pass-through expenditures	197,753
Interest on long-term debt	473,831
Total governmental activities	\$ 13,824,122

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
\$ 302,632	\$ 25,734	\$ -	\$ (2,677,046)
894,982	530,138	24,793	(4,630,180)
698,814	1,313,634	-	(1,498,294)
32,253	1,257,472	-	937,643
20,951	49,324	-	(133,934)
-	197,753	-	-
-	-	-	(473,831)
<u>\$ 1,949,632</u>	<u>\$ 3,374,055</u>	<u>\$ 24,793</u>	<u>(8,475,642)</u>

General revenues

Property taxes	8,089,561
Sales taxes	1,260,626
Other taxes	79,801
Investment income	58,512
Payments in lieu of taxes	43,277
Gain (loss) on sale of assets	(3,024)
Miscellaneous income	69,646
Special item - claim settlement	(24,618)
General revenues, net	<u>9,573,781</u>
Change in net position	1,098,139
Net position - beginning	<u>5,676,510</u>
Net position - ending	<u>\$ 6,774,649</u>

See accompanying notes to the financial statements.

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**FUND FINANCIAL STATEMENTS**

**HOUSTON COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,020,037	\$ -	\$ 60,478
Certificates of deposit	1,289,712	-	-
Receivables			
Property taxes, net of allowance	77,773	-	-
Sales taxes	180,602	-	-
Grants	735,702	-	-
Other - miscellaneous	232,968	-	7,500
Due from other funds	-	423,184	339,109
Prepaid items	102,022	3,958	5,699
<b>TOTAL ASSETS</b>	<b>\$ 3,638,816</b>	<b>\$ 427,142</b>	<b>\$ 412,786</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ 149,341	\$ -
Accounts payable and accrued expenses	392,841	9,142	61,327
Due to other funds	66,787	-	-
Unearned revenues	2,000	-	-
Total liabilities	461,628	158,483	61,327
Deferred inflows of resources			
Unavailable revenues - property taxes	35,025	-	-
Unavailable revenues - grants	727,133	-	-
Unavailable revenues - other receivables	150,000	-	-
Total deferred inflows of resources	912,158	-	-
Fund balances			
Nonspendable	102,022	3,958	5,699
Restricted	1,289,712	-	-
Assigned	-	-	-
Unassigned	873,296	264,701	345,760
Total fund balances	2,265,030	268,659	351,459
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,638,816</b>	<b>\$ 427,142</b>	<b>\$ 412,786</b>



Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	FEMA Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 125,738	\$ 40,545	\$ 689,555	\$ 1,084,730	\$ 3,021,083
-	-	-	-	1,289,712
-	-	-	13,652	91,425
-	-	-	-	180,602
-	-	2,131,004	83,125	2,949,831
-	-	-	49,560	290,028
93,275	591,802	-	66,787	1,514,157
4,331	5,141	-	6,004	127,155
<u>\$ 223,344</u>	<u>\$ 637,488</u>	<u>\$ 2,820,559</u>	<u>\$ 1,303,858</u>	<u>\$ 9,463,993</u>
\$ -	\$ -	\$ 585,291	\$ 43,020	\$ 777,652
133,370	31,688	-	103,749	732,117
-	-	1,447,370	-	1,514,157
-	-	9,167	28,780	39,947
<u>133,370</u>	<u>31,688</u>	<u>2,041,828</u>	<u>175,549</u>	<u>3,063,873</u>
-	-	-	6,818	41,843
-	-	2,131,004	36,046	2,894,183
-	-	-	1,000	151,000
-	-	2,131,004	43,864	3,087,026
4,331	5,141	-	6,004	127,155
-	-	-	1,071,348	2,361,060
-	-	-	57,548	57,548
<u>85,643</u>	<u>600,659</u>	<u>(1,352,273)</u>	<u>(50,455)</u>	<u>767,331</u>
<u>89,974</u>	<u>605,800</u>	<u>(1,352,273)</u>	<u>1,084,445</u>	<u>3,313,094</u>
<u>\$ 223,344</u>	<u>\$ 637,488</u>	<u>\$ 2,820,559</u>	<u>\$ 1,303,858</u>	<u>\$ 9,463,993</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, 2020**

Total fund balances - governmental funds balance sheet	\$ 3,313,094
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.	3,087,026
Prepaid bond insurance is not a current financial resource and therefore, is not reported in the governmental funds.	18,218
Net pension assets are not current financial resources and therefore, are not reported in the governmental funds.	149,960
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	13,473,782
Differences resulting from the refunding of certificates of obligation relate to long-term debt and therefore, are not reported in the governmental funds.	596,415
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.	(140,655)
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.	(251,505)
Payables for long-term liabilities, including certificates of obligations, capital leases, and net pension liabilities are not due in the current period and therefore, are not reported in the governmental funds.	<u>(13,471,686)</u>
Net position of governmental activities	<u>\$ 6,774,649</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, 2020**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 6,910,319	\$ -	\$ -
General sales and use taxes	1,260,626	-	-
Selective sales and use taxes	34,023	-	-
Fees, licenses, and permits	183,600	109,915	144,625
Charges for services	600,328	-	-
Fines and forfeitures	179,097	-	-
Intergovernmental revenue and grants	481,714	6,512	8,569
Contributions and donations from private sources	-	-	37,124
Payments in lieu of taxes	43,277	-	-
Investment earnings	32,833	119	1,063
Other revenue	66,143	-	-
Total revenues	<u>9,791,960</u>	<u>116,546</u>	<u>191,381</u>
<b>EXPENDITURES</b>			
General government	2,990,843	-	-
Judicial and law enforcement	4,580,123	-	-
Highways and streets	-	407,483	628,594
Health and welfare	-	-	-
Culture and recreation	109,525	-	-
Pass-through expenditures	8,000	-	-
Capital outlay	86,990	-	204,902
Debt service			
Principal	72,339	24,472	35,247
Interest	33,419	6,011	6,677
Total expenditures	<u>7,881,239</u>	<u>437,966</u>	<u>875,420</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,910,721</u>	<u>(321,420)</u>	<u>(684,039)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	1,302	-	1,728
Proceeds from debt issuance	228,093	-	204,902
Transfers in	-	444,819	382,432
Transfers out	(1,861,900)	-	-
Net other financing sources (uses)	<u>(1,632,505)</u>	<u>444,819</u>	<u>589,062</u>
<b>NET CHANGE IN FUND BALANCE</b>	278,216	123,399	(94,977)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>1,986,814</u>	<u>145,260</u>	<u>446,436</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,265,030</u>	<u>\$ 268,659</u>	<u>\$ 351,459</u>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	FEMA Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,145,077	\$ 8,055,396
-	-	-	-	1,260,626
-	-	-	44,778	78,801
167,765	156,195	-	227,308	989,408
-	-	-	51,912	652,240
-	-	-	130,813	309,910
9,940	9,254	174,932	1,352,585	2,043,506
1,000	-	-	6,257	44,381
-	-	-	-	43,277
1,762	1,513	-	21,222	58,512
-	-	-	3,503	69,646
<u>180,467</u>	<u>166,962</u>	<u>174,932</u>	<u>2,983,455</u>	<u>13,605,703</u>
-	-	-	123,213	3,114,056
-	-	2,500	908,400	5,491,023
759,288	484,993	420,610	674,712	3,375,680
-	-	-	337,848	337,848
-	-	-	32,240	141,765
-	-	-	189,753	197,753
-	-	-	20,960	312,852
64,767	34,126	-	786,060	1,017,011
4,532	941	-	403,248	454,828
<u>828,587</u>	<u>520,060</u>	<u>423,110</u>	<u>3,476,434</u>	<u>14,442,816</u>
<u>(648,120)</u>	<u>(353,098)</u>	<u>(248,178)</u>	<u>(492,979)</u>	<u>(837,113)</u>
-	363	-	-	3,393
-	-	-	-	432,995
432,409	590,655	-	744,030	2,594,345
-	-	(320,586)	(411,859)	(2,594,345)
<u>432,409</u>	<u>591,018</u>	<u>(320,586)</u>	<u>332,171</u>	<u>436,388</u>
(215,711)	237,920	(568,764)	(160,808)	(400,725)
<u>305,685</u>	<u>367,880</u>	<u>(783,509)</u>	<u>1,245,253</u>	<u>3,713,819</u>
<u>\$ 89,974</u>	<u>\$ 605,800</u>	<u>\$ (1,352,273)</u>	<u>\$ 1,084,445</u>	<u>\$ 3,313,094</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, 2020**

Net change in fund balance - governmental funds	\$ (400,725)
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.	741,479
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.	(1,159,196)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,319,582
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.	1,017,011
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals) decreases net position.	(6,417)
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.	(432,995)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	78,227
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	(22,592)
This amount represents the change in net pension assets and liabilities from the beginning of the period to the end of the period.	(39,826)
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>3,591</u>
Change in net position of governmental activities	<u>\$ 1,098,139</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2020**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,504,955
TOTAL ASSETS	<u>\$ 1,504,955</u>
LIABILITIES	
Amounts held for others	\$ 1,157,203
Due to other units	<u>347,752</u>
TOTAL LIABILITIES	<u>\$ 1,504,955</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, 2020**

**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**

*Effective date postponed by one year due to COVID-19 pandemic in accordance with GASB No. 95 (original effective dates listed):*

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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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. 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.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* ("GASB 90"), is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The effects of implementing GASB 90 on the County's financial disclosures have not been evaluated by management.

GASB Statement No. 91, *Conduit Debt Obligations* ("GASB 91"), is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in certain practices. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2020. The effects of implementing GASB 91 on the County's financial disclosures have not been evaluated by management.

GASB Statement No. 92, *Omnibus 2020* ("GASB 92"), is intended to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2020. The effects of implementing GASB 92 on the County's financial disclosures have not been evaluated by management.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* ("GASB 93"), is primarily intended to address the accounting and financial reporting implications resulting from the replacement of an interbank offered rate. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2020. The effects of implementing GASB 93 on the County's financial disclosures have not been evaluated by management.

*Effective date postponed by 18 months due to COVID-19 pandemic in accordance with GASB No. 95 (original effective date listed):*

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. 94, *Public-Private and Public -Public Partnerships and Availability Payment Arrangements* ("GASB 94"), is intended to enhance comparability in accounting and financial reporting and to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2022. The effects of implementing GASB 94 on the County's financial disclosures have not been evaluated by management.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”), is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2022. The effects of implementing GASB 96 on the County’s financial disclosures have not been evaluated by management.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (“GASB 97”), is intended to increase consistency and comparability related to the reporting of fiduciary component units, mitigate costs associated with the reporting of certain pension plans, and enhance the relevance, consistency, and comparability of the accounting and financial reporting of Section 457 plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021. The effects of implementing GASB 97 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 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 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.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

*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, 2020, the general fund and FEMA funds are reported as major governmental funds. Additionally, the County has elected to present the road and bridge funds for precincts 1, 2, 3, and 4 as major funds due to their significance within the County. 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 maintains a pooled cash and cash equivalents account. Each fund whose monies are deposited in the pooled cash and cash equivalents account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month's end. 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, 2020.

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.



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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.

**Property Tax Receivables**

Property taxes are levied on October 1 and are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On February 1 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed. The County provides an allowance for all delinquent property taxes, calculated based on historical collection rates.

The County bills and collects for its own taxes and those for certain governmental entities within the County. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor’s Ad Valorem Fund. Tax collections deposited for the County are distributed on a periodic basis to the General and Road and Bridge Funds of the County. The distribution is based upon the tax rate established for each fund by order of the Commissioner’s Court for the tax year for which the collections are made.

The tax rate, per \$100 valuation, adopted for the fiscal year ended September 30, 2020, was as follows:

General fund	\$ .46010
Debt service	<u>.07990</u>
Total	<u>\$ .54000</u>

The appraisal of property within the County is the responsibility of the county-wide appraisal district which is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of the property within the County must be reviewed every three years by the appraisal district unless the County, at its own expense, requires more frequent reviews. The County may challenge the appraised values through

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various appeals and, if necessary, legal action. Under this legislation, the County sets tax rates on County property.

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).

**Grant Receivables**

Accounts receivable from other governments include amounts due from grantors in regard to approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements have been met and reimbursable costs are incurred.

**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

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**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 four 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 and unamortized differences – pension plan expected and actual economic experience, both of which are 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.

*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 two items that qualify for reporting in this category: unavailable revenue, 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 which arises only under a full accrual basis of accounting, is reported on the government-wide statement of net position and is 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

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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 TCDRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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, 2020, 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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**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Deficit Fund Balances**

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At September 30, 2020, the FEMA fund, as well as certain nonmajor special revenue funds, had deficit balances. These deficits are the result of the timing relating to receipt of grant reimbursements, expenditures in excess of appropriations, and transfers to and from pooled funds.

**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, 2020, the County’s deposits with depository banks totaled \$5,266,271. Included in the balances are certificates of deposit totaling \$1,289,712 and agency funds in the amount of \$1,519,452. All deposits were fully collateralized by securities pledged by the depository banks with total collateral value of \$11,672,584, 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:

	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Totals</u>
Receivables by fund					
General fund	\$ 982,238	\$ 180,602	\$ 735,702	\$ 232,968	\$ 2,131,510
Road and bridge	-	-	-	7,500	7,500
FEMA funds	-	-	2,131,004	-	2,131,004
Nonmajor funds	<u>154,117</u>	<u>-</u>	<u>83,125</u>	<u>49,560</u>	<u>286,802</u>
Gross receivables	<u>1,136,355</u>	<u>180,602</u>	<u>2,949,831</u>	<u>290,028</u>	<u>4,556,816</u>
Allowances					
General fund	(904,465)	-	-	-	(904,465)
Nonmajor funds	<u>(140,465)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(140,465)</u>
Total receivables, net	<u>\$ 91,425</u>	<u>\$ 180,602</u>	<u>\$ 2,949,831</u>	<u>\$ 290,028</u>	<u>\$ 3,511,886</u>

*Property Taxes.* Of the \$1,136,355 in gross property taxes receivable, \$649,196 represents the outstanding balances of assessments for tax years 2018 and prior.

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**Capital Assets**

	<u>Balance</u> <u>09/30/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2020</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	18,991,864	141,360	-	19,133,224
Infrastructure	243,469	-	-	243,469
Rolling stock	6,747,494	433,953	(169,168)	7,012,279
Furniture and equipment	<u>1,321,643</u>	<u>169,999</u>	<u>-</u>	<u>1,491,642</u>
Total being depreciated	<u>27,304,470</u>	<u>745,312</u>	<u>(169,168)</u>	<u>27,880,614</u>
Less accumulated depreciation:				
Buildings and improvements	(7,458,737)	(611,597)	-	(8,070,334)
Infrastructure	(40,646)	(12,173)	-	(52,819)
Rolling stock	(4,937,984)	(435,543)	162,751	(5,210,776)
Furniture and equipment	<u>(1,122,065)</u>	<u>(99,883)</u>	<u>-</u>	<u>(1,221,948)</u>
Total accumulated depreciation	<u>(13,559,432)</u>	<u>(1,159,196)</u>	<u>162,751</u>	<u>(14,555,877)</u>
Total being depreciated, net	<u>13,745,038</u>	<u>(413,884)</u>	<u>(6,417)</u>	<u>13,324,737</u>
Total capital assets, net	<u>\$ 13,894,083</u>	<u>\$ (413,884)</u>	<u>\$ (6,417)</u>	<u>\$ 13,473,782</u>
				<u>(11,896,686)</u>
				<u>\$ 1,577,096</u>

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

General government	\$ 141,545
Judicial and law enforcement	607,583
Highways and streets	334,464
Health and welfare	13,420
Culture and recreation	<u>62,184</u>
Total	<u>\$ 1,159,196</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 1.03% to 4.00% and are all for durations greater than 12 months. 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:

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**Capital Leases - *continued***

	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Asset:				
Rolling stock	\$ 302,893	\$ 1,179,106	\$ -	\$ 1,481,999
Less accumulated depreciation	<u>(49,087)</u>	<u>(358,449)</u>	<u>-</u>	<u>(407,536)</u>
Total	<u>\$ 253,806</u>	<u>\$ 820,657</u>	<u>\$ -</u>	<u>\$ 1,074,463</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, 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>
2021	\$ 90,532	\$ 335,120	\$ -	\$ 425,652
2022	87,625	118,058	-	205,683
2023	59,802	323,080	-	382,882
2024	-	54,646	-	54,646
2025	<u>-</u>	<u>89,162</u>	<u>-</u>	<u>89,162</u>
Total minimum lease payments	\$ 237,959	\$ 920,066	\$ -	\$ 1,158,025
Less amount representing interest	<u>(26,610)</u>	<u>(49,193)</u>	<u>-</u>	<u>(75,803)</u>
Present value of minimum lease payments	<u>\$ 211,349</u>	<u>\$ 870,873</u>	<u>\$ -</u>	<u>\$ 1,082,222</u>

**Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2020, was as follows:

	<u>Balance 09/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/20</u>	<u>Due Within One Year</u>
Long-term debt:					
<i>Direct borrowings     and placements</i>					
Capital leases	\$ 869,238	\$ 432,995	\$ (220,011)	\$ 1,082,222	\$ 396,294
Note payable	1,194,542	-	(32,000)	1,162,542	35,000
2019 Bonds	<u>1,800,000</u>	<u>-</u>	<u>(225,000)</u>	<u>1,575,000</u>	<u>245,000</u>
	<u>3,863,780</u>	<u>432,995</u>	<u>(477,011)</u>	<u>3,819,764</u>	<u>676,294</u>
<i>Other debt:</i>					
2008 Certificates	995,000	-	(485,000)	510,000	510,000
2015 Bonds	<u>8,615,000</u>	<u>-</u>	<u>(55,000)</u>	<u>8,560,000</u>	<u>55,000</u>
	<u>9,610,000</u>	<u>-</u>	<u>(540,000)</u>	<u>9,070,000</u>	<u>565,000</u>
<i>Bond premiums:</i>					
2008 Certificates	13,230	-	(6,615)	6,615	-
2015 Bonds	<u>619,562</u>	<u>-</u>	<u>(44,255)</u>	<u>575,307</u>	<u>-</u>
	<u>632,792</u>	<u>-</u>	<u>(50,870)</u>	<u>581,922</u>	<u>-</u>
Other:					
Compensated absences	246,310	-	(78,227)	168,083	97,688
Net pension liability	<u>1,065,145</u>	<u>-</u>	<u>(1,215,105)</u>	<u>(149,960)</u>	<u>-</u>
	<u>1,311,455</u>	<u>-</u>	<u>(1,293,332)</u>	<u>18,123</u>	<u>97,688</u>
Totals	<u>\$ 15,418,027</u>	<u>\$ 432,995</u>	<u>\$ (2,361,213)</u>	<u>\$ 13,489,809</u>	<u>\$ 1,338,982</u>

**HOUSTON COUNTY, TEXAS**  
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**Long-term Liabilities - *continued***

Interest expense for the year ended September 30, 2020 was as follows:

Interest charges	\$ 454,828
Increase (decrease) in accrued interest payable	22,592
Amortization of 2015 bond insurance	1,403
Amortization of 2008 bond premium	(6,615)
Amortization of 2015 bond premium	(44,255)
Amortization of 2015 refunding loss	<u>45,878</u>
Total	<u>\$ 473,831</u>

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

Year ending September 30,	Direct Borrowings and Direct Placements		Other Debt	
	Principal	Interest	Principal	Interest
2021	\$ 676,294	\$ 107,704	\$ 565,000	\$ 317,038
2022	473,694	92,759	585,000	294,963
2023	668,814	78,896	605,000	277,113
2024	359,484	59,782	620,000	258,738
2025	410,935	49,343	640,000	239,838
2026 - 2030	612,000	150,455	3,565,000	848,194
2031 - 2035	437,000	80,319	2,490,000	151,800
2036 - 2040	<u>181,543</u>	<u>8,685</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,819,764</u>	<u>\$ 627,943</u>	<u>\$ 9,070,000</u>	<u>\$ 2,387,684</u>

At year end, the County had cash totaling \$38,291 available in the debt service fund to service long-term debt.

Long-term and other debt payable at September 30, 2020, are comprised of the following:

*Capital Leases (Direct Borrowings).* 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 agreements accrue interest at rates from 1.03% to 4.00% 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 \$1,289,712 held at the County's financial institution.

*Facility Improvement Loan (Direct Borrowing).* 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, 2020, advances totaling \$1,194,542 had been drawn.

*Houston County, Texas Tax Note Series 2019 (Private Placement).* 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.



**HOUSTON COUNTY, TEXAS**  
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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. At September 30, 2020, proceeds totaling \$4,337 remained unexpended.

*Certificates of Obligation, Series 2008 (Other Debt).* 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 (Other Debt).* 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.

#### **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, 2020 are as follows:

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*Interfund Balances – continued*

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ (66,787)
Road and Bridge Precinct No. 1	423,184	-
Road and Bridge Precinct No. 2	339,109	-
Road and Bridge Precinct No. 3	93,275	-
Road and Bridge Precinct No. 4	591,802	-
FEMA Funds	-	(1,447,370)
Nonmajor	<u>66,787</u>	<u>-</u>
Totals	<u>\$ 1,514,157</u>	<u>\$ (1,514,157)</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, 2020:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ (1,861,900)
Road and Bridge Precinct No. 1	444,819	-
Road and Bridge Precinct No. 2	382,432	-
Road and Bridge Precinct No. 3	432,409	-
Road and Bridge Precinct No. 4	590,655	-
FEMA Funds	-	(320,586)
Nonmajor	<u>744,030</u>	<u>(411,859)</u>
Totals	<u>\$ 2,594,345</u>	<u>\$ (2,594,345)</u>

**Defined Benefit Pension Plan**

**Plan Description.** Houston County participates as one of 799 plans in the non-traditional defined benefit plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS 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. TCDRS is a savings-based plan. For the County’s plan, 7% of each employee’s pay is deposited into his or her TCDRS 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 TCDRS.

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.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

*Employees Covered by Benefit Terms.* At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	152
Active employees	168
	403

*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 TCDRS 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 TCDRS Act. Under the TCDRS 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 TCDRS Act. The County contributed using the actuarially determined rate of 6.01% for calendar year 2019 and 6.26% for calendar year 2020. The contribution rate payable by the employee members for fiscal year 2020 is the rate of 7.00% as adopted by the County. For fiscal year 2020, the County’s total contributions totaled \$328,260 and were equal to required contributions.

The County’s Net Pension Liability/Asset (“NPL”) was measured as of December 31, 2019, 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, 2019, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2019, 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 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, 2019 was 11.4 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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 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	14.5%	5.20%
Private equity	20.0%	8.20%
Global equities	2.5%	5.50%
International equities - developed	7.0%	5.20%
International equities - emerging	7.0%	5.70%
Investment-grade bonds	3.0%	0.20%
Strategic credit	12.0%	3.14%
Direct lending	11.0%	7.16%
Distressed debt	4.0%	6.90%
REIT equities	3.0%	4.50%
Master limited partnerships	2.0%	8.40%
Private real estate partnerships	6.0%	5.50%
Hedge funds	<u>8.0%</u>	2.30%
Total	100.0%	

**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.

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2018	\$ 16,758,733	\$ 15,693,588	\$ 1,065,145
Changes for the year:			
Service cost	510,362	-	510,362
Interest on total pension liability	1,370,720	-	1,370,720
Effect of economic/demographic (gains) or losses	124,586	-	124,586
Effect of assumption changes or inputs	-	-	-
Refund of contributions	(32,294)	(32,294)	-
Benefit payments	(674,729)	(674,729)	-
Administrative expenses	-	(13,875)	13,875
Employer contributions	-	303,237	(303,237)
Member contributions	-	353,350	(353,350)
Net investment income	-	2,577,251	(2,577,251)
Other	-	810	(810)
Net changes	<u>1,298,645</u>	<u>2,513,750</u>	<u>1,215,105</u>
Balance at 12/31/2019	<u>\$ 18,057,378</u>	<u>\$ 18,207,338</u>	<u>\$ (149,960)</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 8.10%, 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 (7.10%) or 1-percentage-point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 20,257,180	\$ 18,057,378	\$ 16,193,527
Fiduciary net position	<u>18,207,338</u>	<u>18,207,338</u>	<u>18,207,338</u>
Net pension liability (asset)	<u>\$ 2,049,842</u>	<u>\$ (149,960)</u>	<u>\$ (2,013,811)</u>

*Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions.* For the year ended September 30, 2020, the County recognized net pension (benefit) expense of \$370,618. Net pension (benefit) expense was charged to functions/programs as follows:

Function/program	Governmental Activities
General government	\$ 64,966
Judicial and law enforcement	233,238
Highways and streets	62,228
Health and welfare	7,513
Culture and recreation	<u>2,673</u>
Total	<u>\$ 370,618</u>

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

At September 30, 2020, 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	\$ 15,025	\$ -
Difference between projected and actual investment earnings	-	(432,206)
Changes in actuarial assumptions	23,185	-
Contributions subsequent to the measurement date	<u>253,341</u>	<u>-</u>
Totals, governmental activities	<u>\$ 291,551</u>	<u>\$ (432,206)</u>

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>
2020	\$ 250,023	\$ (104,388)
2021	41,528	(123,381)
2022	-	57,283
2023	<u>-</u>	<u>(261,720)</u>
Total	<u>\$ 291,551</u>	<u>\$ (432,206)</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.

*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, 2020 the County contributed \$92,769 toward post-employment health insurance benefits.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

**Deferred Compensation Plan**

The County offers all of its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The County has established custodial legal trust arrangements with Nationwide Retirement Solutions, Inc. and the Variable Annuity Life Insurance Company (“VALIC”), which administer the plans. The plans permit 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. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to the related amounts, property, or rights are solely the property and rights of the employees. Accordingly, the amounts deferred and invested under these plans are not included in 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. The contract between the County and Lifeguard ended in March, 2020. During the year, payments made to Lifeguard totaled \$118,473. At September 30, 2020, amounts receivable from HCHD under the terms of the agreement totaled \$174,618. Subsequent to year end, the County and HCHD agreed to settle the balance for \$150,000. Accordingly, a loss of \$24,618 has been recorded to the County’s financials at September 30, 2020. See also note that follows, *Subsequent Events – Receivable from Houston County Hospital District*.

**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.

*ETC Texas Pipeline, LTD.* In January, 2015, the County approved a resolution establishing a reinvestment zone pursuant to § 312 of the Texas Tax Code, and 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 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, 2020, the County’s gross property tax revenues were reduced by approximately \$133,684.

*Vulcraft Texas, A Division of Nucor.* In June 2020, the County approved a resolution establishing Vulcraft Reinvestment Zone #1 pursuant to § 312 of the Texas Tax Code, and entered into an agreement with a lumber company seeking to construct a manufacturing facility. Terms of the agreement include: abatement of ad valorem and personal property taxes on the value of new eligible properties beginning with tax year 2020

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

(base year) and continuing for 5 years. The agreement is subject to termination and abated taxes are subject to recapture in the event that the company violates the agreement (including: failure to complete improvements by required deadline; failure to maintain required number of full time jobs; bankruptcy; default under incentive performance agreement with Grapeland Municipal Development District; etc.) or the facility is completed and the owner fails to occupy and operate the facility for more than 30 consecutive days. For the fiscal year ended September 30, 2020, the County's gross property tax revenues were not affected by the agreement.

**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.

**Contingencies and Uncertainties**

*Grants.* 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.

*COVID-19.* As a result of the COVID-19 pandemic, economic uncertainties have arisen which are reasonably possible to negatively impact certain estimates and assumptions used in preparing the County's financial statements. Specific financial impacts are not readily determinable as of the issuance date of the financial statements. Accordingly, the financial statements do not include any adjustments relative to this uncertainty.

**Subsequent Events**

Management has evaluated subsequent events through June 29, 2021, the date when the financial statements were available to be issued.

*Tax Abatement – Lincoln Lumber Crockett, LLC.* In October 2020, the County approved a resolution establishing a reinvestment zone pursuant to § 312 of the Texas Tax Code and entered into an agreement with a lumber company seeking to construct a manufacturing facility. Terms of the agreement include: abatement of ad valorem and personal property taxes on the value of new eligible properties beginning with tax year 2021 (base year) and continuing for 5 years. The agreement is subject to termination and abated taxes are subject to recapture in the event that the company violates the agreement (including: failure to complete improvements by required deadline; failure to maintain required number of full time jobs; bankruptcy; default under incentive performance agreement with Crockett Economic Development Corporation; etc.) or the facility is completed and the owner fails to occupy and operate the facility for more than 30 consecutive days.

*Receivable from Houston County Hospital District.* In May, 2021, the County and the Houston County Hospital District agreed to settle the outstanding balance for ambulance services due to the County for \$150,000 or \$24,618 less than the total. In order to properly value the receivable, this loss has been reported in the government-wide statement of activities at September 30, 2020. See also preceding note, *Interlocal Agreement with Houston County Hospital District.*



**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, 2020**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ 6,829,448	\$ 6,829,448	\$ 6,910,319	\$ 80,871
General sales and use taxes	1,000,000	1,000,000	1,260,626	260,626
Selective sales and use taxes	26,000	26,000	34,023	8,023
Fees, licenses, and permits	149,000	149,000	183,600	34,600
Charges for services	435,368	520,393	600,328	79,935
Fines and forfeitures	179,000	179,000	179,097	97
Intergovernmental revenue and grants	323,500	326,600	481,714	155,114
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	43,000	43,000	43,277	277
Investment earnings	8,000	8,000	32,833	24,833
Other revenue	800,000	826,266	66,143	(760,123)
Total revenues	<u>9,793,316</u>	<u>9,907,707</u>	<u>9,791,960</u>	<u>(115,747)</u>
<b>EXPENDITURES</b>				
General government				
County judge	162,658	163,718	161,553	2,165
County clerk	174,488	175,865	172,244	3,621
Information technology	128,836	140,176	140,201	(25)
Non-departmental	904,036	1,010,383	955,707	54,676
Human resources	6,500	7,860	4,963	2,897
District clerk	245,473	245,633	237,794	7,839
County juvenile board	17,203	17,203	17,218	(15)
Elections	126,798	135,015	123,978	11,037
County auditor	210,272	213,841	214,023	(182)
County treasurer	173,156	173,381	157,301	16,080
County tax assessor-collector	348,402	348,466	348,362	104
Courthouse	194,586	279,503	241,253	38,250
Insurance	88,000	87,207	82,445	4,762
Utilities	170,500	170,500	141,800	28,700
Total general government	<u>2,950,908</u>	<u>3,168,751</u>	<u>2,998,842</u>	<u>169,909</u>
Judicial and law enforcement				
County court at law	354,223	355,123	351,307	3,816
District court	129,909	130,379	124,619	5,760
Justice of the peace, Pct No. 1	127,770	127,770	127,365	405
Justice of the peace, Pct No. 2	128,130	129,305	129,035	270
County attorney	363,495	368,005	363,310	4,695
District attorney	287,220	300,065	286,431	13,634
County constable, Pct No. 1	84,042	84,242	79,095	5,147
County constable, Pct No. 2	89,854	90,054	86,301	3,753
Sheriff	1,679,415	1,701,464	1,595,783	105,681
Jail	1,451,283	1,447,283	1,407,207	40,076
Department of public safety	40,316	40,316	24,069	16,247
Texas Rangers	700	700	-	700
Adult probation	9,200	9,200	5,601	3,599
Total judicial and law enforcement	<u>4,745,557</u>	<u>4,783,906</u>	<u>4,580,123</u>	<u>203,783</u>

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
Culture and recreation				
Veteran services officer	22,840	22,840	19,714	3,126
County extension service	97,924	98,374	88,765	9,609
Texas parks and wildlife	700	1,046	1,046	-
Total culture and recreation	121,464	122,260	109,525	12,735
Capital outlay				
Courthouse	-	16,098	15,990	108
Sheriff	-	71,000	71,000	-
Total capital outlay	-	87,098	86,990	108
Debt service				
Principal	59,239	72,340	72,340	-
Interest	46,817	37,298	33,419	3,879
Total expenditures	7,923,985	8,271,653	7,881,239	390,414
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,869,331	1,636,054	1,910,721	274,667
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	1,301	1,301
Proceeds from notes/capital leases	-	228,093	228,093	-
Transfers in	-	-	-	-
Transfers out	(1,869,331)	(1,864,147)	(1,861,899)	2,248
Net other financing sources (uses)	(1,869,331)	(1,636,054)	(1,632,505)	3,549
NET CHANGE IN FUND BALANCE	-	-	278,216	278,216
FUND BALANCE - BEGINNING OF YEAR	1,986,814	1,986,814	1,986,814	-
FUND BALANCE - END OF YEAR	\$ 1,986,814	\$ 1,986,814	\$ 2,265,030	\$ 278,216

See Independent Auditors' Report and Notes to the Budgetary Comparison Schedules.

**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, 2020**

	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	107,340	107,340	109,915	2,575
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	6,574	6,574	6,512	(62)
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	119	119
Other revenue	-	-	-	-
Total revenues	<u>113,914</u>	<u>113,914</u>	<u>116,546</u>	<u>2,632</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	425,880	506,845	407,483	99,362
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	24,472	24,472	24,472	-
Interest	6,029	6,029	6,011	18
Total expenditures	<u>456,381</u>	<u>537,346</u>	<u>437,966</u>	<u>99,380</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(342,467)</u>	<u>(423,432)</u>	<u>(321,420)</u>	<u>102,012</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	307,467	388,432	444,819	56,387
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>307,467</u>	<u>388,432</u>	<u>444,819</u>	<u>56,387</u>
<b>NET CHANGE IN FUND BALANCE</b>	(35,000)	(35,000)	123,399	158,399
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>145,260</u>	<u>145,260</u>	<u>145,260</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 110,260</u>	<u>\$ 110,260</u>	<u>\$ 268,659</u>	<u>\$ 158,399</u>

See Independent Auditors' Report and Notes to the Budgetary Comparison Schedules.

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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, 2020**

	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	141,237	141,237	144,625	3,388
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	8,650	8,650	8,569	(81)
Contributions and donations from private sources	-	29,624	37,124	7,500
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	1,063	1,063
Other revenue	-	-	-	-
Total revenues	<u>149,887</u>	<u>179,511</u>	<u>191,381</u>	<u>11,870</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	590,377	620,001	628,594	(8,593)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	204,902	204,902	-
Debt service				
Principal	35,247	35,247	35,247	-
Interest	6,695	6,695	6,677	18
Total expenditures	<u>632,319</u>	<u>866,845</u>	<u>875,420</u>	<u>(8,575)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(482,432)</u>	<u>(687,334)</u>	<u>(684,039)</u>	<u>3,295</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	1,728	1,728
Proceeds from notes/capital leases	-	204,902	204,902	-
Transfers in	382,432	382,432	382,432	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>382,432</u>	<u>587,334</u>	<u>589,062</u>	<u>1,728</u>
<b>NET CHANGE IN FUND BALANCE</b>	(100,000)	(100,000)	(94,977)	5,023
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>446,436</u>	<u>446,436</u>	<u>446,436</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 346,436</u>	<u>\$ 346,436</u>	<u>\$ 351,459</u>	<u>\$ 5,023</u>

See Independent Auditors' Report and Notes to the Budgetary Comparison Schedules.

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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, 2020**

	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	163,836	163,836	167,765	3,929
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	10,034	10,034	9,940	(94)
Contributions and donations from private sources	-	1,000	1,000	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	1,762	1,762
Other revenue	-	-	-	-
Total revenues	<u>173,870</u>	<u>174,870</u>	<u>180,467</u>	<u>5,597</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	667,000	683,000	759,288	(76,288)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	64,767	64,767	64,767	-
Interest	4,512	4,512	4,532	(20)
Total expenditures	<u>736,279</u>	<u>752,279</u>	<u>828,587</u>	<u>(76,308)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(562,409)</u>	<u>(577,409)</u>	<u>(648,120)</u>	<u>(70,711)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	15,000	-	(15,000)
Proceeds from notes/capital leases	-	-	-	-
Transfers in	432,409	432,409	432,409	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>432,409</u>	<u>447,409</u>	<u>432,409</u>	<u>(15,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(130,000)	(130,000)	(215,711)	(85,711)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>305,685</u>	<u>305,685</u>	<u>305,685</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 175,685</u>	<u>\$ 175,685</u>	<u>\$ 89,974</u>	<u>\$ (85,711)</u>

See Independent Auditors' Report and Notes to the Budgetary Comparison Schedules.

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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, 2020**

	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	152,537	152,537	156,195	3,658
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,342	9,342	9,254	(88)
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	1,513	1,513
Other revenue	-	-	-	-
Total revenues	<u>161,879</u>	<u>161,879</u>	<u>166,962</u>	<u>5,083</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	734,233	734,233	484,993	249,240
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	34,126	34,126	34,126	-
Interest	941	941	941	-
Total expenditures	<u>769,300</u>	<u>769,300</u>	<u>520,060</u>	<u>249,240</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(607,421)</u>	<u>(607,421)</u>	<u>(353,098)</u>	<u>254,323</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	363	363
Proceeds from notes/capital leases	-	-	-	-
Transfers in	407,421	407,421	590,655	183,234
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>407,421</u>	<u>407,421</u>	<u>591,018</u>	<u>183,597</u>
<b>NET CHANGE IN FUND BALANCE</b>	(200,000)	(200,000)	237,920	437,920
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>367,880</u>	<u>367,880</u>	<u>367,880</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 167,880</u>	<u>\$ 167,880</u>	<u>\$ 605,800</u>	<u>\$ 437,920</u>

See Independent Auditors' Report and Notes to the Budgetary Comparison Schedules.

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FEMA GRANT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	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	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	-	-	174,932	174,932
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	-	-	174,932	174,932
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	-	-	423,110	(423,110)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	423,110	(423,110)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	-	-	(248,178)	(248,178)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(320,586)	(320,586)
Net other financing sources (uses)	-	-	(320,586)	(320,586)
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	(568,764)	(568,764)
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	(783,509)	(783,509)	(783,509)	-
<b>FUND BALANCE - END OF YEAR</b>				
	\$ (783,509)	\$ (783,509)	\$ (1,352,273)	\$ (568,764)

See Independent Auditors' Report and Notes to the Budgetary Comparison Schedules.

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**  
**SEPTEMBER 30, 2020**

**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.

Accounting standards require budgets to be presented for all of the County's major funds. One major fund, the FEMA grants fund, did not have an adopted budget for the year ending September 30, 2020.

**BUDGET EXPENDITURES IN EXCESS OF APPROPRIATIONS**

The legal level of budgetary control is the department level. Therefore, expenditures may not legally exceed budget appropriations at the department level. In the County's major funds, expenditures exceeded appropriations at the legal level of budgetary control by \$568,764 in the FEMA fund.

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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, 2020**

	Plan Year Ending December 31, **					
	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 510,362	\$ 528,148	\$ 557,516	\$ 582,530	\$ 480,944	\$ 478,176
Interest on total pension liability	1,370,720	1,291,013	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	124,586	(140,561)	(84,713)	(208,714)	(18,574)	(37,965)
Benefit payments/refunds of contributions	<u>(707,023)</u>	<u>(647,699)</u>	<u>(531,831)</u>	<u>(489,816)</u>	<u>(458,381)</u>	<u>(415,502)</u>
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	1,298,645	1,030,901	1,231,917	982,287	1,100,236	955,303
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<u>16,758,733</u>	<u>15,727,832</u>	<u>14,495,915</u>	<u>13,513,628</u>	<u>12,413,392</u>	<u>11,458,089</u>
<b>TOTAL PENSION LIABILITY - ENDING</b>	(a) <u>\$ 18,057,378</u>	<u>\$ 16,758,733</u>	<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	\$ 303,237	\$ 293,426	\$ 272,512	\$ 337,794	\$ 338,512	\$ 297,141
Member contributions	353,350	340,474	329,461	338,953	342,983	298,850
Investment income, net of investment expenses	2,577,251	(298,570)	2,033,546	953,230	13,409	797,258
Benefit payments/refunds of contributions	(707,023)	(647,699)	(531,831)	(489,816)	(458,381)	(415,502)
Administrative expenses	(13,875)	(12,605)	(10,652)	(10,409)	(9,219)	(9,385)
Other	810	686	840	(117,372)	19,353	13,836
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	2,513,750	(324,288)	2,093,876	1,012,380	246,657	982,198
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<u>15,693,588</u>	<u>16,017,876</u>	<u>13,924,000</u>	<u>12,911,620</u>	<u>12,664,963</u>	<u>11,682,765</u>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	(b) <u>\$ 18,207,338</u>	<u>\$ 15,693,588</u>	<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>\$ (149,960)</u>	<u>\$ 1,065,145</u>	<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	100.83%	93.64%	101.84%	96.05%	95.55%	102.03%
Pensionable Covered Payroll	\$ 5,047,854	\$ 4,863,915	\$ 4,706,590	\$ 4,825,624	\$ 4,835,892	\$ 4,269,280
Net Pension Liability (Asset) as a percentage of Covered Payroll	-2.97%	21.90%	-6.16%	11.85%	12.45%	-5.89%

\* - GASB 68 requires ten years of data to be presented. Data for only six 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, 2020**

<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%
2019	297,119	297,119	-	4,939,135	6.0%
2020	328,260	328,260	-	5,304,180	6.2%

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

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS**  
**SEPTEMBER 30, 2020**

**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>	11.4 years (based on contribution rate calculate in 12/31/19 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. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule.

*\*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, 2020**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,105	\$ 1,077,625	\$ 1,084,730
Receivables			
Property taxes, net of allowance	13,652	-	13,652
Grants	-	83,125	83,125
Other - miscellaneous	-	49,560	49,560
Due from other funds	31,186	35,601	66,787
Prepaid items	-	6,004	6,004
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 51,943</u>	<u>\$ 1,251,915</u>	<u>\$ 1,303,858</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ 43,020	\$ 43,020
Accounts payable and accrued expenses	-	103,749	103,749
Due to other funds	-	-	-
Unearned revenues	-	28,780	28,780
Total liabilities	<u>          </u>	<u>          </u>	<u>          </u>
	-	175,549	175,549
Deferred inflows of resources			
Unavailable revenues - property taxes	6,818	-	6,818
Unavailable revenues - grants	-	36,046	36,046
Unavailable revenues - other receivables	-	1,000	1,000
Total deferred inflows of resources	<u>          </u>	<u>          </u>	<u>          </u>
	6,818	37,046	43,864
Fund balances			
Nonspendable	-	6,004	6,004
Restricted	45,125	1,026,223	1,071,348
Assigned	-	57,548	57,548
Unassigned	-	(50,455)	(50,455)
Total fund balances	<u>          </u>	<u>          </u>	<u>          </u>
	45,125	1,039,320	1,084,445
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 51,943</u>	<u>\$ 1,251,915</u>	<u>\$ 1,303,858</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, 2020**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 1,145,077	\$ -	\$ 1,145,077
Selective sales and use taxes	-	44,778	44,778
Fees, licenses, and permits	-	227,308	227,308
Charges for services	-	51,912	51,912
Fines and forfeitures	-	130,813	130,813
Intergovernmental revenue and grants	-	1,352,585	1,352,585
Contributions and donations from private sources	-	6,257	6,257
Investment earnings	2,166	19,056	21,222
Other revenue	-	3,503	3,503
Total revenues	<u>1,147,243</u>	<u>1,836,212</u>	<u>2,983,455</u>
<b>EXPENDITURES</b>			
General government	-	123,213	123,213
Judicial and law enforcement	-	908,400	908,400
Highways and streets	-	674,712	674,712
Health and welfare	-	337,848	337,848
Culture and recreation	-	32,240	32,240
Pass-through expenditures	-	189,753	189,753
Capital outlay	-	20,960	20,960
Debt service			
Principal	765,000	21,060	786,060
Interest	402,084	1,164	403,248
Total expenditures	<u>1,167,084</u>	<u>2,309,350</u>	<u>3,476,434</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>			
	<u>(19,841)</u>	<u>(473,138)</u>	<u>(492,979)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	61,415	682,615	744,030
Transfers out	-	(411,859)	(411,859)
Net other financing sources (uses)	<u>61,415</u>	<u>270,756</u>	<u>332,171</u>
<b>NET CHANGE IN FUND BALANCE</b>	41,574	(202,382)	(160,808)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>3,551</u>	<u>1,241,702</u>	<u>1,245,253</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 45,125</u>	<u>\$ 1,039,320</u>	<u>\$ 1,084,445</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2020**

	<u>Jury Fund</u>	<u>Airport Fund</u>	<u>Senior Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 84,307	\$ 5,477	\$ 28,714
Receivables			
Grants	9,128	-	31,262
Other - miscellaneous	8,667	-	-
Due from other funds	7,336	-	-
Prepaid items	-	583	2,850
<b>TOTAL ASSETS</b>	<u>\$ 109,438</u>	<u>\$ 6,060</u>	<u>\$ 62,826</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	18,941	347	20,101
Due to other funds	-	-	-
Unearned revenues	-	-	-
<b>Total liabilities</b>	<u>18,941</u>	<u>347</u>	<u>20,101</u>
<b>Deferred inflows of resources</b>			
Unavailable revenues - property taxes	-	-	-
Unavailable revenues - grants	-	-	-
Unavailable revenues - other receivables	-	-	-
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	-	583	2,850
Restricted	90,497	-	-
Assigned	-	5,130	39,875
Unassigned	-	-	-
<b>Total fund balances</b>	<u>90,497</u>	<u>5,713</u>	<u>42,725</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 109,438</u>	<u>\$ 6,060</u>	<u>\$ 62,826</u>

<u>Courthouse Security Fund</u>	<u>Bail Bond Board</u>	<u>Law Library Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Historical Commission</u>
\$ 30,339	\$ -	\$ 9,248	\$ 138,946	\$ 115,278	\$ 28,254
-	-	-	-	-	-
-	-	-	8,318	29,803	-
1,223	-	1,280	-	-	-
-	489	-	-	-	-
<u>\$ 31,562</u>	<u>\$ 489</u>	<u>\$ 10,528</u>	<u>\$ 147,264</u>	<u>\$ 145,081</u>	<u>\$ 28,254</u>
\$ -	\$ 84	\$ -	\$ -	\$ -	\$ -
3,266	-	-	-	-	860
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,266</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>860</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,000	-	-
-	-	-	1,000	-	-
-	489	-	-	-	-
28,296	-	10,528	146,264	145,081	27,394
-	-	-	-	-	-
-	(84)	-	-	-	-
<u>28,296</u>	<u>405</u>	<u>10,528</u>	<u>146,264</u>	<u>145,081</u>	<u>27,394</u>
<u>\$ 31,562</u>	<u>\$ 489</u>	<u>\$ 10,528</u>	<u>\$ 147,264</u>	<u>\$ 145,081</u>	<u>\$ 28,254</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2020**

	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>Truancy Prevention/ Diversion</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,541	\$ 1,682	\$ 3,861
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	133	480	685
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,674</u></u>	<u><u>\$ 2,162</u></u>	<u><u>\$ 4,546</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>			
Unavailable revenues - property taxes	-	-	-
Unavailable revenues - grants	-	-	-
Unavailable revenues - other receivables	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	5,674	2,162	4,546
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,674</u>	<u>2,162</u>	<u>4,546</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 5,674</u></u>	<u><u>\$ 2,162</u></u>	<u><u>\$ 4,546</u></u>



<u>County &amp; District Court Technology</u>	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Election Services Contracts</u>	<u>Right of Way</u>	<u>Road &amp; Bridge Fines</u>
\$ 1,966	\$ 10,245	\$ 12,883	\$ 4,409	\$ 54,760	\$ 54,082
-	-	-	-	-	-
-	-	-	-	-	-
74	195	51	-	-	13,959
-	-	-	-	-	-
<u>\$ 2,040</u>	<u>\$ 10,440</u>	<u>\$ 12,934</u>	<u>\$ 4,409</u>	<u>\$ 54,760</u>	<u>\$ 68,041</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
325	5,000	-	-	-	1,591
-	-	-	-	-	-
-	-	-	-	-	-
<u>325</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,591</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
1,715	5,440	12,934	4,409	54,760	66,450
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,715</u>	<u>5,440</u>	<u>12,934</u>	<u>4,409</u>	<u>54,760</u>	<u>66,450</u>
<u>\$ 2,040</u>	<u>\$ 10,440</u>	<u>\$ 12,934</u>	<u>\$ 4,409</u>	<u>\$ 54,760</u>	<u>\$ 68,041</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2020**

	<u>Timber &amp; Mineral Funds</u>	<u>Records Management &amp; Preservation</u>	<u>Co Clerk Records Preservation</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 263,938	\$ 11,743	\$ 17,310
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	-	1,193	3,450
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 263,938</u></u>	<u><u>\$ 12,936</u></u>	<u><u>\$ 20,760</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	25,603	463	1,694
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>25,603</u>	<u>463</u>	<u>1,694</u>
Deferred inflows of resources			
Unavailable revenues - property taxes	-	-	-
Unavailable revenues - grants	-	-	-
Unavailable revenues - other receivables	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	238,335	12,473	19,066
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>238,335</u>	<u>12,473</u>	<u>19,066</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 263,938</u></u>	<u><u>\$ 12,936</u></u>	<u><u>\$ 20,760</u></u>

<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>	<u>District Clerk Archives</u>	<u>Co Attorney Pre-trial Intervention</u>	<u>Hot Check Fees</u>
\$ 725	\$ 981	\$ 24,182	\$ 8,060	\$ 10,217	\$ 530
-	-	-	-	-	-
-	-	-	-	-	480
140	211	3,420	450	-	-
-	-	-	-	-	-
<u>\$ 865</u>	<u>\$ 1,192</u>	<u>\$ 27,602</u>	<u>\$ 8,510</u>	<u>\$ 10,217</u>	<u>\$ 1,010</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	490	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	490	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
865	1,192	27,602	8,510	9,727	1,010
-	-	-	-	-	-
-	-	-	-	-	-
<u>865</u>	<u>1,192</u>	<u>27,602</u>	<u>8,510</u>	<u>9,727</u>	<u>1,010</u>
<u>\$ 865</u>	<u>\$ 1,192</u>	<u>\$ 27,602</u>	<u>\$ 8,510</u>	<u>\$ 10,217</u>	<u>\$ 1,010</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2020**

	<u>District Attorney Hot Checks</u>	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 554	\$ 1,382	\$ 21,588
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 554</u></u>	<u><u>\$ 1,382</u></u>	<u><u>\$ 21,588</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources</b>			
Unavailable revenues - property taxes	-	-	-
Unavailable revenues - grants	-	-	-
Unavailable revenues - other receivables	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	554	1,382	21,588
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>554</u>	<u>1,382</u>	<u>21,588</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 554</u></u>	<u><u>\$ 1,382</u></u>	<u><u>\$ 21,588</u></u>

<u>DA Salary Supplement</u>	<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>Tax Anticipation Notes</u>	<u>LEOSE Education Funds</u>	<u>District Attorney Apportionment</u>
\$ -	\$ 15,340	\$ 12,543	\$ 7,052	\$ 8,961	\$ 1,047
-	-	-	-	-	-
-	-	-	-	-	2,292
-	-	-	-	-	-
-	-	-	-	910	-
<u>\$ -</u>	<u>\$ 15,340</u>	<u>\$ 12,543</u>	<u>\$ 7,052</u>	<u>\$ 9,871</u>	<u>\$ 3,339</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,614	1,750	-	1	-	669
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,614</u>	<u>1,750</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>669</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	910	-
-	13,590	-	7,051	8,961	2,670
-	-	12,543	-	-	-
(1,614)	-	-	-	-	-
<u>(1,614)</u>	<u>13,590</u>	<u>12,543</u>	<u>7,051</u>	<u>9,871</u>	<u>2,670</u>
<u>\$ -</u>	<u>\$ 15,340</u>	<u>\$ 12,543</u>	<u>\$ 7,052</u>	<u>\$ 9,871</u>	<u>\$ 3,339</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2020**

	Vehicle Inventory Tax Interest	Unclaimed Funds	Miscellaneous Grants
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 750	\$ 7,101	\$ 10,194
Receivables			
Grants	-	-	1,764
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 750</u></u>	<u><u>\$ 7,101</u></u>	<u><u>\$ 11,958</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>
Deferred inflows of resources			
Unavailable revenues - property taxes	-	-	-
Unavailable revenues - grants	-	-	-
Unavailable revenues - other receivables	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	750	7,101	11,958
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>750</u>	<u>7,101</u>	<u>11,958</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 750</u></u>	<u><u>\$ 7,101</u></u>	<u><u>\$ 11,958</u></u>

<u>Emergency Management Grant</u>	<u>Victims Assistance Grant</u>	<u>HAVA Grant</u>	<u>911 Addressing Grant</u>	<u>Juvenile Probation</u>	<u>TDA 7218216 Grant</u>
\$ -	\$ -	\$ 19,321	\$ -	\$ 44,114	\$ -
26,782	8,418	-	2,871	-	2,900
-	-	-	-	-	-
7	-	987	-	-	327
<u>788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384</u>	<u>-</u>
<u>\$ 27,577</u>	<u>\$ 8,418</u>	<u>\$ 20,308</u>	<u>\$ 2,871</u>	<u>\$ 44,498</u>	<u>\$ 3,227</u>
\$ 29,740	\$ 9,439	\$ -	\$ 3,430	\$ -	\$ 327
4,141	2,255	-	1,784	9,954	2,900
-	-	-	-	-	-
-	-	20,308	-	8,472	-
<u>33,881</u>	<u>11,694</u>	<u>20,308</u>	<u>5,214</u>	<u>18,426</u>	<u>3,227</u>
-	-	-	-	-	-
26,782	3,493	-	2,871	-	2,900
-	-	-	-	-	-
<u>26,782</u>	<u>3,493</u>	<u>-</u>	<u>2,871</u>	<u>-</u>	<u>2,900</u>
788	-	-	-	384	-
-	-	-	-	25,688	-
-	-	-	-	-	-
<u>(33,874)</u>	<u>(6,769)</u>	<u>-</u>	<u>(5,214)</u>	<u>-</u>	<u>(2,900)</u>
<u>(33,086)</u>	<u>(6,769)</u>	<u>-</u>	<u>(5,214)</u>	<u>26,072</u>	<u>(2,900)</u>
<u>\$ 27,577</u>	<u>\$ 8,418</u>	<u>\$ 20,308</u>	<u>\$ 2,871</u>	<u>\$ 44,498</u>	<u>\$ 3,227</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2020**

	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,077,625
Receivables	
Grants	83,125
Other - miscellaneous	49,560
Due from other funds	35,601
Prepaid items	6,004
<b>TOTAL ASSETS</b>	<b>\$ 1,251,915</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
Liabilities	
Deficit in pooled cash	\$ 43,020
Accounts payable	103,749
Due to other funds	-
Unearned revenues	28,780
Total liabilities	175,549
Deferred inflows of resources	
Unavailable revenues - property taxes	-
Unavailable revenues - grants	36,046
Unavailable revenues - other receivables	1,000
Total deferred inflows of resources	37,046
Fund balances	
Nonspendable	6,004
Restricted	1,026,223
Assigned	57,548
Unassigned	(50,455)
Total fund balances	1,039,320
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,251,915</b>



**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	Jury Fund	Airport Fund	Senior Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	47,884	-	-
Charges for services	-	20,951	30,961
Fines and forfeitures	66	-	-
Intergovernmental revenue and grants	53,861	2,837	293,014
Contributions and donations from private sources	-	-	2,942
Investment earnings	647	2	268
Other revenue	-	-	-
Total revenues	<u>102,458</u>	<u>23,790</u>	<u>327,185</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	362,173	-	-
Highways and streets	-	-	-
Health and welfare	-	-	337,848
Culture and recreation	-	30,658	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	9,227
Interest	-	-	188
Total expenditures	<u>362,173</u>	<u>30,658</u>	<u>347,263</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(259,715)</u>	<u>(6,868)</u>	<u>(20,078)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	350,000	12,300	15,000
Transfers out	-	-	-
Net other financing sources (uses)	<u>350,000</u>	<u>12,300</u>	<u>15,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	90,285	5,432	(5,078)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>212</u>	<u>281</u>	<u>47,803</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 90,497</u>	<u>\$ 5,713</u>	<u>\$ 42,725</u>

<u>Courthouse Security Fund</u>	<u>Bail Bond Board</u>	<u>Law Library Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Historical Commission</u>
\$ -	\$ -	\$ -	\$ 44,526	\$ -	\$ -
9,250	500	10,055	-	-	-
-	-	-	-	-	-
5,447	-	-	-	-	-
-	-	-	-	46,486	-
-	-	-	-	-	30
238	3	55	1,579	1,320	352
-	-	-	-	-	19
<u>14,935</u>	<u>503</u>	<u>10,110</u>	<u>46,105</u>	<u>47,806</u>	<u>401</u>
-	-	-	15,369	-	-
68,908	1,097	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,582
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>68,908</u>	<u>1,097</u>	<u>-</u>	<u>15,369</u>	<u>-</u>	<u>1,582</u>
<u>(53,973)</u>	<u>(594)</u>	<u>10,110</u>	<u>30,736</u>	<u>47,806</u>	<u>(1,181)</u>
-	-	-	-	-	-
70,300	-	-	-	-	2,935
-	-	-	-	(12,300)	-
<u>70,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,300)</u>	<u>2,935</u>
16,327	(594)	10,110	30,736	35,506	1,754
11,969	999	418	115,528	109,575	25,640
<u>\$ 28,296</u>	<u>\$ 405</u>	<u>\$ 10,528</u>	<u>\$ 146,264</u>	<u>\$ 145,081</u>	<u>\$ 27,394</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, 2020**

	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>Truancy Prevention/ Diversion</u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	620
Charges for services	-	-	-
Fines and forfeitures	1,433	6,182	3,925
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	198	11	1
Other revenue	-	-	-
Total revenues	<u>1,631</u>	<u>6,193</u>	<u>4,546</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	14,911	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>-</u>	<u>14,911</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,631</u>	<u>(8,718)</u>	<u>4,546</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,631	(8,718)	4,546
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>4,043</u>	<u>10,880</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,674</u>	<u>\$ 2,162</u>	<u>\$ 4,546</u>

<u>County &amp; District Court Technology</u>	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Election Services Contracts</u>	<u>Right of Way</u>	<u>Road &amp; Bridge Fines</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
850	1,292	343	-	79,655	-
-	-	-	-	-	-
-	-	-	-	-	100,902
-	-	-	5,011	-	-
-	-	537	-	-	-
20	122	19	18	471	536
-	-	3,444	-	-	-
<u>870</u>	<u>1,414</u>	<u>4,343</u>	<u>5,029</u>	<u>80,126</u>	<u>101,438</u>
-	-	-	4,318	-	-
352	5,000	3,138	-	-	-
-	-	-	-	13,805	35,409
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>352</u>	<u>5,000</u>	<u>3,138</u>	<u>4,318</u>	<u>13,805</u>	<u>35,409</u>
<u>518</u>	<u>(3,586)</u>	<u>1,205</u>	<u>711</u>	<u>66,321</u>	<u>66,029</u>
-	-	-	-	-	-
-	-	2,500	-	-	-
-	-	-	-	(60,000)	(70,000)
-	-	2,500	-	(60,000)	(70,000)
518	(3,586)	3,705	711	6,321	(3,971)
1,197	9,026	9,229	3,698	48,439	70,421
<u>\$ 1,715</u>	<u>\$ 5,440</u>	<u>\$ 12,934</u>	<u>\$ 4,409</u>	<u>\$ 54,760</u>	<u>\$ 66,450</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, 2020**

	Timber & Mineral Funds	Records Management & Preservation	Co Clerk Records Preservation
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	9,314	40,888
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	406,338	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	2,314	98	138
Other revenue	-	-	-
Total revenues	<u>408,652</u>	<u>9,412</u>	<u>41,026</u>
<b>EXPENDITURES</b>			
General government	-	2,409	65,592
Judicial and law enforcement	4,644	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	189,753	-	-
Capital outlay	20,960	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>215,357</u>	<u>2,409</u>	<u>65,592</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>193,295</u>	<u>7,003</u>	<u>(24,566)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	22,166
Transfers out	(250,000)	-	-
Net other financing sources (uses)	<u>(250,000)</u>	<u>-</u>	<u>22,166</u>
<b>NET CHANGE IN FUND BALANCE</b>	(56,705)	7,003	(2,400)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>295,040</u>	<u>5,470</u>	<u>21,466</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 238,335</u>	<u>\$ 12,473</u>	<u>\$ 19,066</u>

<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>	<u>District Clerk Archives</u>	<u>Co Attorney Pre-trial Intervention</u>	<u>Hot Check Fees</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,759	1,812	18,350	2,975	-	-
-	-	-	-	-	-
-	-	-	-	2,550	1,215
-	-	-	-	-	-
-	-	-	-	-	-
5	6	367	86	171	-
-	-	-	-	-	-
<u>1,764</u>	<u>1,818</u>	<u>18,717</u>	<u>3,061</u>	<u>2,721</u>	<u>1,215</u>
1,848	1,431	29,238	-	-	-
-	-	-	-	10,367	329
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,848</u>	<u>1,431</u>	<u>29,238</u>	<u>-</u>	<u>10,367</u>	<u>329</u>
<u>(84)</u>	<u>387</u>	<u>(10,521)</u>	<u>3,061</u>	<u>(7,646)</u>	<u>886</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(84)	387	(10,521)	3,061	(7,646)	886
<u>949</u>	<u>805</u>	<u>38,123</u>	<u>5,449</u>	<u>17,373</u>	<u>124</u>
<u>\$ 865</u>	<u>\$ 1,192</u>	<u>\$ 27,602</u>	<u>\$ 8,510</u>	<u>\$ 9,727</u>	<u>\$ 1,010</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, 2020**

	District Attorney <u>Hot Checks</u>	County Attorney <u>Forfeiture</u>	District Attorney <u>Forfeiture</u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	254	-	5,559
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	-	14	197
Other revenue	-	-	-
Total revenues	<u>254</u>	<u>14</u>	<u>5,756</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	305	483	1,844
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>305</u>	<u>483</u>	<u>1,844</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(51)</u>	<u>(469)</u>	<u>3,912</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(51)	(469)	3,912
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>605</u>	<u>1,851</u>	<u>17,676</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 554</u>	<u>\$ 1,382</u>	<u>\$ 21,588</u>

<u>DA Salary Supplement</u>	<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>Tax Anticipation Notes</u>	<u>LEOSE Education Funds</u>	<u>District Attorney Apportionment</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	1,480	-	-	-	-
-	-	-	-	6,723	27,725
-	-	248	-	-	-
72	165	157	1,298	103	-
-	-	-	-	-	-
<u>72</u>	<u>1,645</u>	<u>405</u>	<u>1,298</u>	<u>6,826</u>	<u>27,725</u>
-	-	-	-	-	-
39,445	7,067	-	-	4,031	13,544
-	-	-	332,652	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>39,445</u>	<u>7,067</u>	<u>-</u>	<u>332,652</u>	<u>4,031</u>	<u>13,544</u>
<u>(39,373)</u>	<u>(5,422)</u>	<u>405</u>	<u>(331,354)</u>	<u>2,795</u>	<u>14,181</u>
-	-	-	-	-	-
35,562	-	-	-	-	-
-	-	-	-	-	(12,387)
<u>35,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,387)</u>
(3,811)	(5,422)	405	(331,354)	2,795	1,794
2,197	19,012	12,138	338,405	7,076	876
<u>\$ (1,614)</u>	<u>\$ 13,590</u>	<u>\$ 12,543</u>	<u>\$ 7,051</u>	<u>\$ 9,871</u>	<u>\$ 2,670</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, 2020**

	Vehicle Inventory Tax Interest	Unclaimed Funds	Miscellaneous Grants
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ 252	\$ -
Fees, licenses, and permits	-	1,761	-
Charges for services	-	-	-
Fines and forfeitures	-	195	-
Intergovernmental revenue and grants	-	-	7,055
Contributions and donations from private sources	-	-	-
Investment earnings	342	-	7,324
Other revenue	-	-	-
Total revenues	<u>342</u>	<u>2,208</u>	<u>14,379</u>
<b>EXPENDITURES</b>			
General government	53	-	-
Judicial and law enforcement	-	-	7,055
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>53</u>	<u>-</u>	<u>7,055</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>289</u>	<u>2,208</u>	<u>7,324</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	289	2,208	7,324
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>461</u>	<u>4,893</u>	<u>4,634</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 750</u>	<u>\$ 7,101</u>	<u>\$ 11,958</u>

Emergency Management Grant	Victims Assistance Grant	HAVA Grant	911 Addressing Grant	Juvenile Probation	TDA 7218216 Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,605	-
28,360	40,493	2,955	27,276	151,777	252,674
2,500	-	-	-	-	-
-	-	-	-	339	-
40	-	-	-	-	-
<u>30,900</u>	<u>40,493</u>	<u>2,955</u>	<u>27,276</u>	<u>153,721</u>	<u>252,674</u>
-	-	2,955	-	-	-
100,805	57,551	-	-	205,351	-
-	-	-	37,272	-	255,574
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,833	-	-	-	-	-
976	-	-	-	-	-
<u>113,614</u>	<u>57,551</u>	<u>2,955</u>	<u>37,272</u>	<u>205,351</u>	<u>255,574</u>
<u>(82,714)</u>	<u>(17,058)</u>	<u>-</u>	<u>(9,996)</u>	<u>(51,630)</u>	<u>(2,900)</u>
-	-	-	-	-	-
84,700	14,980	-	7,172	65,000	-
(7,172)	-	-	-	-	-
<u>77,528</u>	<u>14,980</u>	<u>-</u>	<u>7,172</u>	<u>65,000</u>	<u>-</u>
(5,186)	(2,078)	-	(2,824)	13,370	(2,900)
<u>(27,900)</u>	<u>(4,691)</u>	<u>-</u>	<u>(2,390)</u>	<u>12,702</u>	<u>-</u>
<u>\$ (33,086)</u>	<u>\$ (6,769)</u>	<u>\$ -</u>	<u>\$ (5,214)</u>	<u>\$ 26,072</u>	<u>\$ (2,900)</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, 2020**

	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>	
Selective sales and use taxes	\$ 44,778
Fees, licenses, and permits	227,308
Charges for services	51,912
Fines and forfeitures	130,813
Intergovernmental revenue and grants	1,352,585
Contributions and donations from private sources	6,257
Investment earnings	19,056
Other revenue	3,503
Total revenues	1,836,212
<b>EXPENDITURES</b>	
General government	123,213
Judicial and law enforcement	908,400
Highways and streets	674,712
Health and welfare	337,848
Culture and recreation	32,240
Pass-through expenditures	189,753
Capital outlay	20,960
Debt service	
Principal	21,060
Interest	1,164
Total expenditures	2,309,350
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(473,138)</b>
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from debt issuance	-
Transfers in	682,615
Transfers out	(411,859)
Net other financing sources (uses)	270,756
<b>NET CHANGE IN FUND BALANCE</b>	<b>(202,382)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,241,702</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,039,320</b>

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2020**

	County Attorney Hot Check	DA Forfeiture Trust Fund	Sheriff's Inmate Trust Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,328	\$ 3,999	\$ 16,400
TOTAL ASSETS	\$ 5,328	\$ 3,999	\$ 16,400
<b>LIABILITIES</b>			
Amounts held for others	\$ 5,328	\$ 3,999	\$ 16,400
Due to other units	-	-	-
TOTAL LIABILITIES	\$ 5,328	\$ 3,999	\$ 16,400

<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>
\$ 8,665	\$ 95,903	\$ 36,714	\$ 48	\$ 4,243	\$ 555
<u>\$ 8,665</u>	<u>\$ 95,903</u>	<u>\$ 36,714</u>	<u>\$ 48</u>	<u>\$ 4,243</u>	<u>\$ 555</u>
\$ 6,714	\$ -	\$ -	\$ -	\$ -	\$ -
<u>1,951</u>	<u>95,903</u>	<u>36,714</u>	<u>48</u>	<u>4,243</u>	<u>555</u>
<u>\$ 8,665</u>	<u>\$ 95,903</u>	<u>\$ 36,714</u>	<u>\$ 48</u>	<u>\$ 4,243</u>	<u>\$ 555</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2020**

	Tax Assessor's Highway Department	Tax Assessor's Hwy Emission Reg Fee	Tax Assessor's IVTRS Account
<b>ASSETS</b>			
Cash and cash equivalents	\$ 202,255	\$ 5,864	\$ 219
TOTAL ASSETS	\$ 202,255	\$ 5,864	\$ 219
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ -	\$ -
Due to other units	202,255	5,864	219
TOTAL LIABILITIES	\$ 202,255	\$ 5,864	\$ 219

<u>County Clerk Trust Fund</u>	<u>District Clerk Trust Fund</u>	<u>Total Agency Funds</u>
\$ 711,231	\$ 413,531	\$ 1,504,955
<u>\$ 711,231</u>	<u>\$ 413,531</u>	<u>\$ 1,504,955</u>
\$ 711,231	\$ 413,531	\$ 1,157,203
-	-	347,752
<u>\$ 711,231</u>	<u>\$ 413,531</u>	<u>\$ 1,504,955</u>

See Independent Auditors' Report.

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**COMPLIANCE SECTION**

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

To the Honorable County Judge and  
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, 2020, and the related notes to the financial statements, which collectively comprise Houston County, Texas' basic financial statements and have issued our report thereon dated June 29, 2021.

**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

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

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

June 29, 2021

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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

We have audited Houston County, Texas' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for each of Houston County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Houston County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Houston County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY THE UNIFORM GUIDANCE – CONTINUED**

**Report on Internal Control over Compliance**

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

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

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

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

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 29, 2021

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Total Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through Texas Comptroller</i>				
Schools and Roads - Grants to States - Title I	10.665	-	\$ 412,903	\$ 162,903
Schools and Roads - Grants to States - Title III	10.665	-	<u>25,603</u>	<u>-</u>
Total for CFDA 10.665			<u>438,506</u>	<u>162,903</u>
Total U.S. Department of Agriculture:			<u>438,506</u>	<u>162,903</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through Texas Department of Agriculture</i>				
Community Development Block Grants/ State Program and Non-Entitlement Grants in Hawaii	14.228	7218219	<u>255,574</u>	<u>-</u>
Total for CFDA 14.228			<u>255,574</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development:			<u>255,574</u>	<u>-</u>
<u>U.S. Department of the Interior</u>				
<i>Passed through Texas Comptroller</i>				
National Forest Acquired Lands	15.438	-	<u>26,851</u>	<u>26,851</u>
Total for CFDA 15.438			<u>26,851</u>	<u>26,851</u>
Total U.S. Department of the Interior:			<u>26,851</u>	<u>26,851</u>
<u>U.S. Department of the Treasury</u>				
<i>Passed through Texas Department of Public Safety - Division of Emergency Management</i>				
COVID-19 Coronavirus Relief Fund	21.019	2020-CF-21019	<u>876,095</u>	<u>8,000</u>
Total for CFDA 21.019			<u>876,095</u>	<u>8,000</u>
Total U.S. Department of the Treasury:			<u>876,095</u>	<u>8,000</u>
<u>U.S. Election Assistance Commission</u>				
<i>Passed through Texas Secretary of State</i>				
COVID-19 HAVA Election Security Grants	90.404	TX20101 CARES-113	<u>2,955</u>	<u>-</u>
Total for CFDA 90.404			<u>2,955</u>	<u>-</u>
Total U.S. Election Assistance Commission:			<u>2,955</u>	<u>-</u>

See Independent Auditors' Report and Notes to the Schedule of Expenditures of Federal Awards.

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**  
**(CONTINUED)**

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Total Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Texas Department of Family and Protective Services</i>				
Title IV-E Legal Services Contract	93.658	HHS00025810038	\$ 17,696	\$ -
Total for CFDA 93.658			<u>17,696</u>	<u>-</u>
Total U.S. Department of Health and Human Services:			<u>17,696</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Texas Department of Public Safety - Division of Emergency Management</i>				
Disaster Grants – Public Assistance	97.036	DR 4416	1,652,513 <sup>5</sup>	-
Total for CFDA 97.036			<u>1,652,513</u>	<u>-</u>
Hazard Mitigation Grant	97.039	DR-4466-010	2,500	-
Total for CFDA 97.039			<u>2,500</u>	<u>-</u>
Emergency Management Performance Grant	97.042	EMT-2020- EP-00004	26,782	-
Total for CFDA 97.042			<u>26,782</u>	<u>-</u>
Total U.S. Department of Homeland Security:			<u>1,681,795</u>	<u>-</u>
<b>Total Expenditures of Federal Awards:</b>			<b><u>\$ 3,299,472</u></b>	<b><u>\$ 197,754</u></b>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.



**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**NOTE 1 – Summary of Significant Accounting Policies**

Expenditures reported on the accompanying Schedule of Expenditures of Federal Awards (“Schedule”) are reported on the accrual basis of accounting and accordingly, all significant receivables, payables, and other liabilities are included. Where applicable, such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures of Coronavirus Relief Funds are reported on the accrual basis of accounting and are recognized following the U.S. Treasury’s cost guidelines for Cares Act funds.

**NOTE 2 – Indirect Cost Rate**

Houston County has elected not to use the 10% de minimis indirect cost rate allowed under the *Uniform Guidance*.

**NOTE 3 – Basis of Presentation**

**General.** The Schedule includes the federal grant activity of Houston County, Texas under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of the *Uniform Guidance*. Because the Schedule presents only a selected portion of the operations of Houston County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of Houston County, Texas.

**Relationship to Federal Financial Reports.** For some grants, amounts included in federal financial reports filed by the County with grantor agencies are reported on the cash basis. Accordingly, the related cash basis reports may not agree with amounts reported in the accompanying Schedule.

**NOTE 4 – Presentation of Expenditures**

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

**NOTE 5 – Expenditures of FEMA Disaster Funds**

Consistent with FEMA guidelines providing for the reporting of Federal expenditures based on the year of award, expenditures reported in the Schedule include amounts expended in the County’s fiscal years ending September 30, 2018 through 2020 for FEMA Disaster funds awarded in the County’s fiscal year ending September 30, 2020. The expenditures are summarized by year as follows:

	09/30/18	09/30/19	09/30/20	Total
PA 4416	\$ 56,973	\$ 851,821	\$ 743,719	\$ 1,652,513

**NOTE 6 – Other**

Pass-through entity identifying numbers are presented where available.

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**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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Section I – Summary of Auditors’ Results

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***Financial Statements***

Type of auditors’ report issued: unmodified

- Material weakness(es) identified? \_\_\_\_\_ yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes

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

***Federal Awards***

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with § 516(a) of the *Uniform Guidance*? \_\_\_\_\_ yes  no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.019	COVID-19 Coronavirus Relief Fund
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between type A and type B federal programs: \$ 750,000

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

**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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Section II – Financial Statements Audit Findings

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None.

**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

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None.

**HOUSTON COUNTY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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Financial Statements Audit Findings

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*None.*

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Major Federal Award Programs Audit Findings

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**2019-001 Significant Deficiency in Internal Control over Compliance – Cash Management**  
**CFDA 10.665 – Schools and Roads - Grants to States**  
**Federal Agency: U.S. Department of Agriculture**  
**Award Number: N/A**  
**Award Period: October 1, 2008 to September 30, 2021**  
**Funding Type: Indirect – Passed Through Texas Comptroller of Public Accounts**  
**Compliance Requirement: C. Cash Management**

**Condition.** During the fiscal year, the period of time that elapsed between the date of receipt of certain federal funds and the date of the related disbursements of Title I pass-through funds to local school districts exceeded a reasonable period of time.

**Criteria or Specific Requirements.** Cash management requirements under the Uniform Guidance 2 *CFR* § 200.305 provides guidance for cash disbursements as follows: “...payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity....”

Financial management standards under the Uniform Guidance 2 *CFR* § 200.302(b)(6) requires “[w]ritten procedures to implement the requirements of § 200.305 Payment.”

**Questioned Costs.** None.

**Context.** Audit procedures identified that \$159,869 of the local school districts’ portion of Title I funds received by the County on April 26, 2019 were not disbursed to the schools until June 10, 2019. The time elapsed from receipt to disbursement amounted to 30 business days.

**Recommendation.** The County should review/revise relevant policies and procedures to ensure that grant funds received are disbursed in such a way so as to minimize the elapsed time between receipt and disbursement of the grant funds.

**Status.** Audit procedures conducted for the fiscal year ended September 30, 2020 revealed that the County has implemented practices to minimize the time elapsing between receipt and disbursement of grant funds. Accordingly, this finding is considered resolved.