

HOUSTON COUNTY, TEXAS
AUDITED FINANCIAL STATEMENTS
AND COMPLIANCE REPORTS
SEPTEMBER 30, 2019

INTRODUCTORY SECTION

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**HOUSTON COUNTY, TEXAS
PRINCIPAL PUBLIC OFFICIALS
AT SEPTEMBER 30, 2019**

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
Darrel Bobbitt Sheriff
Danette Millican Tax Assessor/Collector

DISTRICT ELECTED OFFICIALS

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

APPOINTED OFFICIALS

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

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FINANCIAL SECTION

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Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas, (the "County") as of and for the year ended September 30, 2019, 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 fund information of Houston County, Texas, as of September 30, 2019, and the respective changes in

INDEPENDENT AUDITORS' REPORT – CONTINUED

financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in the notes to the financial statements, adjustments to beginning fund balances totaling \$982,880 in the general fund and \$877,271 in various nonmajor governmental funds have been recorded to reflect decreases that resulted from the recording of property tax allowances and reclassification of deferred inflows of resources. This adjustment did not result in a change in the overall net position as reflected in the government-wide statement of net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, and the schedule of pension contributions and related notes on pages 11 - 17 and 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 87-113 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT – CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020, on pages 117-118, 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 performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

July 20, 2020

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**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(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, 2019. 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 \$5,676,510 (net position) at September 30, 2019. Of this amount, \$1,140,966 is available to be used to meet the County's ongoing obligations to citizens and creditors.
- Total assets increased by \$2,076,905 from the prior year; total liabilities increased by \$3,563,767 from the prior year.
- Overall expenses exceeded revenues (or a decrease in net position) by \$390,055. Depreciation expense of \$1,072,612 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 \$3,713,819. Overall revenues exceeded expenditures by \$604,368.
- At September 30, 2019, unassigned fund balance for the General Fund was \$834,963, or approximately 11% of total General Fund expenditures.
- Prior period adjustments totaling \$1,860,151 (a net decrease in fund balance) have been recorded in these financial statements to reflect management's estimate of collectability of property taxes receivable (net decrease in fund balances of \$910,050) as well as the adjustment of unavailable revenue to reflect portions of certain revenues that are not available for current spending (net decrease in fund balances of \$950,101). These allowances and deferrals had previously only been included in the government-wide financial statements.

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, 2019
(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 \$5,676,510 at September 30, 2019.

The largest portion of the County's net position, or \$2,220,303, reflects its investment in capital assets (\$13,894,083) less the related debt used to acquire those assets that remains outstanding (\$11,673,780). 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 \$2,315,241 represents resources that are subject to restriction on how they may be used. The remaining balance of \$1,140,966 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, 2019
(UNAUDITED)**

The County's Net Position

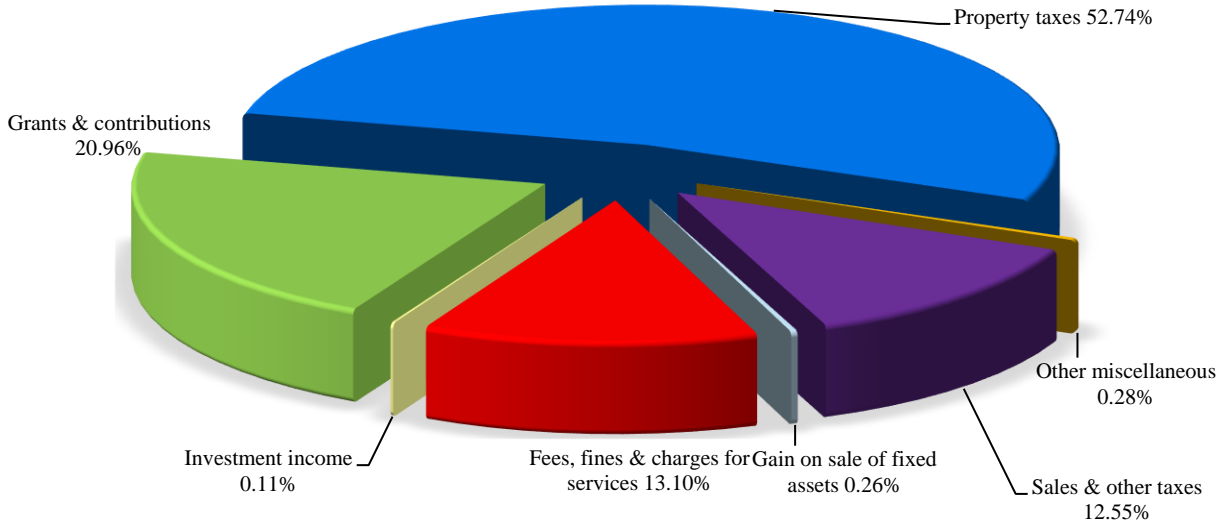
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 6,202,704	\$ 4,960,937
Capital assets, net	13,894,083	13,058,945
Total assets	<u>20,096,787</u>	<u>18,019,882</u>
Deferred outflows of resources	1,892,632	1,017,651
Total deferred outflows	<u>1,892,632</u>	<u>1,017,651</u>
Long-term debt	14,106,572	11,703,255
Other liabilities	2,070,273	909,823
Total liabilities	<u>16,176,845</u>	<u>12,613,078</u>
Deferred inflows of resources	136,064	357,890
Total deferred inflows	<u>136,064</u>	<u>357,890</u>
Net position		
Invested in capital assets, net of related debt	2,220,303	1,355,690
Restricted	2,315,241	2,037,087
Unrestricted	1,140,966	2,673,788
Total net position	<u>\$ 5,676,510</u>	<u>\$ 6,066,565</u>

Change in Net Position

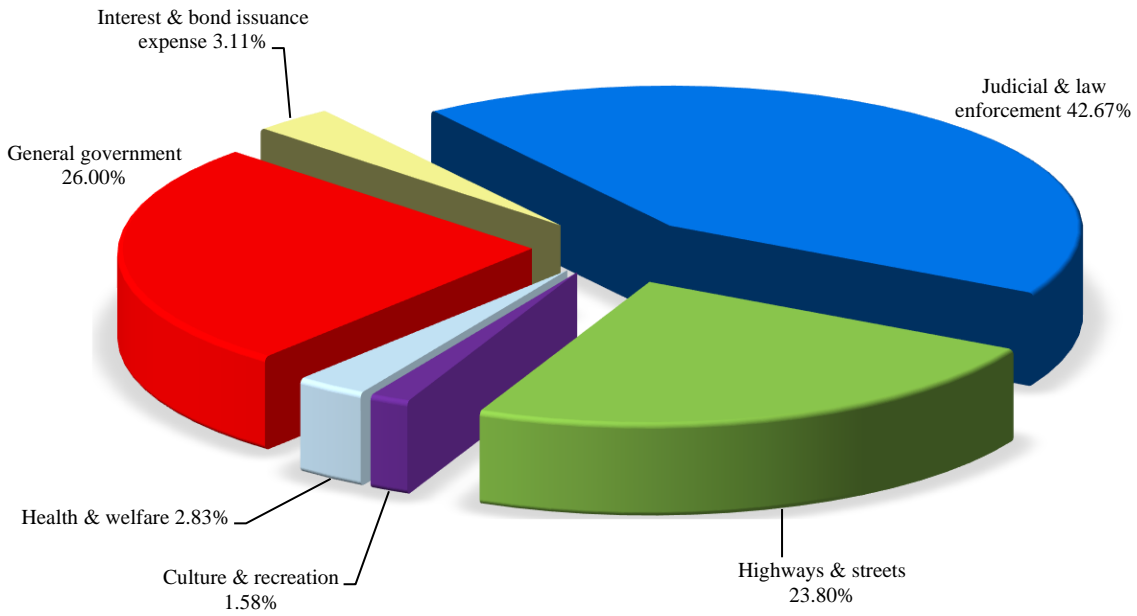
	<u>2019</u>	<u>2018</u>
Revenues		
Fees, fines, charges for services	\$ 1,835,088	\$ 1,843,115
Property taxes	7,390,278	7,301,075
Sales taxes	1,593,666	1,145,824
Other taxes	102,034	49,015
Investment income	15,924	8,681
Grants and contributions	2,936,501	1,638,334
Payment in lieu of taxes	63,362	228,485
Gain on sale of assets	37,003	183,537
Other miscellaneous	39,065	63,774
Total revenues	<u>14,012,921</u>	<u>12,461,840</u>
Expenses		
General government	3,541,166	3,140,479
Judicial and law enforcement	6,146,198	5,869,716
Highways and streets	3,427,792	2,229,664
Health and welfare	406,903	390,840
Culture and recreation	228,242	254,905
Pass-through expenditures	204,136	187,779
Debt issuance costs	58,563	-
Interest on long-term debt	389,976	398,979
Total expenses	<u>14,402,976</u>	<u>12,472,362</u>
Increase (decrease) in net position	(390,055)	(10,522)
Prior period adjustment	-	(316,911)
Net position at beginning of year	6,066,565	6,393,998
Net position at end of year	<u>\$ 5,676,510</u>	<u>\$ 6,066,565</u>

**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)**

**Revenues by Source
For the Fiscal Year Ended September 30, 2019**



**Expenses by Function
For the Fiscal Year Ended September 30, 2019**



**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(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, 2019, the County's governmental funds reported a total fund balance of \$3,713,819. This fund balance is comprised of \$2,442,417 that is either in a nonspendable form, restricted or assigned for specific purpose. The remaining balance, \$1,271,402, is unassigned. Overall revenues exceeded expenditures in the current year by \$604,368. As mentioned previously, a prior period adjustment of \$1,860,151 reducing fund balance was recorded, resulting in an overall reduction in fund balance of \$1,255,783 from the prior year.

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

General Fund. Actual revenues were higher than budgeted amounts by \$680,678. Actual expenditures were lower than budgeted amounts by \$218,761. Actual other financing sources (uses) were favorable to budgeted amounts by \$20,187. An overall decrease in fund balance of \$800,000 had been projected, using prior year budget carryovers to fund the decrease. After a prior period adjustment of \$982,880, fund balance decreased by \$863,254.

Road and Bridge Funds. Actual revenues were higher than budgeted amounts by \$48,264. Actual expenditures were lower than budgeted amounts by \$489,375. An overall decrease in fund balance of \$818,480 had been projected, using prior year budget carryovers to fund the decrease. The actual increase in fund balance was \$174,584.

Tax Anticipation Notes Fund. Actual revenues were higher than budgeted amounts by \$1,416. Actual expenditures were lower than budgeted amounts by \$336,989. No change in fund balance had been projected. The actual increase in fund balance was \$338,405.

FEMA Funds. Actual revenues were higher than budgeted amounts by \$361,850. Actual expenditures were equal to budgeted amounts. An overall increase in fund balance of \$111,316 had been projected. After a prior period adjustment of \$783,509, fund balance decreased by \$783,509.

CAPITAL ASSETS

The County's investment in capital assets as of September 30, 2019 totaled \$13,894,083 (net of accumulated depreciation).

Capital assets of \$1,912,621 were purchased during the year. Significant purchases included:

- Replace courthouse chiller and various air conditioner units (funded by note payable)
- Bridge – CR 2290
- Bridge – CR 3455
- 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, 2019
(UNAUDITED)**

Capital Assets (Net of Depreciation)

	2019	2018
Land	\$ 149,045	\$ 149,045
Buildings and improvements	18,991,864	18,018,801
Infrastructure	243,469	168,453
Rolling stock	6,747,494	6,136,531
Furniture and equipment	1,321,643	1,238,300
Less: accumulated depreciation	(13,559,432)	(12,652,185)
Total	\$ 13,894,083	\$ 13,058,945

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$14,106,572. New debt issued during the year included:

- \$1,800,000 Series 2019 Tax Anticipation Notes (to fund road repairs)
- Three new capital leases totaling \$184,800 (to fund various vehicle purchases)
- \$1,224,782 note payable (to fund energy efficiency upgrades)

Debt Outstanding

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation	\$ 10,125,000	\$ -	\$ 515,000	\$ 9,610,000
Unamortized premiums	683,662	-	50,870	632,792
Tax anticipation notes	-	1,800,000	-	1,800,000
Notes payable	-	1,224,782	30,240	1,194,542
Capital leases	894,593	184,800	210,155	869,238
Total	\$ 11,703,255	\$ 3,209,582	\$ 806,265	\$ 14,106,572

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.

**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(UNAUDITED)**

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

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 are ongoing as of July, 2020. 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 and the State of Texas and Houston County was under another disaster. Our citizens have been strong and resilient willing to support each other during these 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. As of July 2020, Houston County has had fairly low positive cases with most recovering without hospitalization.

In these difficult county- and state-wide economic times, Houston County continues to be mindful of their financial condition and impact on the local taxpayers. We remain conservative and proactive in all aspects of county activities. We are concerned about the impact of declining state and federal revenues, including timber and mineral revenues from the Davy Crockett National Forest, and declining grant availability.

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 \$0.54/\$100 for FY 2019 and FY 2020, 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, 2019

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 1,255,728	\$ 1,255,728
Receivables		
Property taxes, net of allowance for uncollectibles	-	-
Sales tax receivable	279,937	279,937
Grants	2,258,248	2,258,248
Other - miscellaneous	254,940	254,940
Prepays	87,920	87,920
Restricted assets		
Cash and cash equivalents	970,702	970,702
Certificates of deposit	1,095,229	1,095,229
Capital assets, net of accumulated depreciation	13,894,083	13,894,083
TOTAL ASSETS	20,096,787	20,096,787
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on bond refunding	642,293	642,293
Pension plan	1,250,339	1,250,339
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,892,632	1,892,632
LIABILITIES		
Accounts payable	323,935	323,935
Accrued expenses	283,056	283,056
Accrued interest	60,829	60,829
Unearned revenues	90,998	90,998
Compensated absences	246,310	246,310
Long-term debt		
Due within one year	1,070,887	1,070,887
Due in more than one year	13,035,685	13,035,685
Net pension liability	1,065,145	1,065,145
TOTAL LIABILITIES	16,176,845	16,176,845
DEFERRED INFLOWS OF RESOURCES		
Pension plan	136,064	136,064
TOTAL DEFERRED INFLOWS OF RESOURCES	136,064	136,064
NET POSITION		
Invested in capital assets, net of related debt	2,220,303	2,220,303
Restricted for		
Deposits held as collateral by others	1,095,229	1,095,229
Debt service	3,551	3,551
General government	193,144	193,144
Judicial and law enforcement	132,099	132,099
Highways and streets	756,003	756,003
Culture and recreation	135,215	135,215
Unrestricted	1,140,966	1,140,966
TOTAL NET POSITION	\$ 5,676,510	\$ 5,676,510

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 3,541,166
Judicial and law enforcement	6,146,198
Highways and streets	3,427,792
Health and welfare	406,903
Culture and recreation	228,242
Pass-through expenditures	204,136
Debt issuance costs	58,563
Interest on long-term debt	389,976
Total governmental activities	\$ 14,402,976

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
\$ 273,123	\$ 32,276	\$ -	\$ (3,235,767)
737,652	509,817	-	(4,898,729)
741,646	1,624,393	-	(1,061,753)
45,959	473,231	-	112,287
36,708	92,648	-	(98,886)
-	204,136	-	-
-	-	-	(58,563)
-	-	-	(389,976)
<u>\$ 1,835,088</u>	<u>\$ 2,936,501</u>	<u>\$ -</u>	<u>(9,631,387)</u>

General revenues

Property taxes	7,390,278
Sales taxes	1,593,666
Other taxes	102,034
Investment income	15,924
Payments in lieu of taxes	63,362
Gain on sale of assets	37,003
Miscellaneous income	39,065
Total general revenues	<u>9,241,332</u>
Change in net position	(390,055)
Net position - beginning	<u>6,066,565</u>
Net position - ending	<u>\$ 5,676,510</u>

See accompanying notes to the financial statements.

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FUND FINANCIAL STATEMENTS

**HOUSTON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
ASSETS			
Cash and cash equivalents	\$ 1,026,342	\$ 35,439	\$ 126,358
Certificates of deposit	1,095,229	-	-
Receivables			
Property taxes, net of allowance	-	-	-
Sales taxes	279,937	-	-
Grants	28,178	-	-
Other - miscellaneous	248,308	563	741
Due from other funds	154	129,070	348,374
Prepaid items	56,622	1,882	2,811
TOTAL ASSETS	\$ 2,734,770	\$ 166,954	\$ 478,284
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	374,805	21,694	31,848
Due to other funds	115,735	-	-
Unearned revenues	84,000	-	-
Total liabilities	574,540	21,694	31,848
 Deferred inflows of resources			
Unavailable revenues	173,416	-	-
Total deferred inflows of resources	173,416	-	-
 Fund balances			
Nonspendable	56,622	1,882	2,811
Restricted	1,095,229	-	-
Assigned	-	-	-
Unassigned	834,963	143,378	443,625
Total fund balances	1,986,814	145,260	446,436
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,734,770	\$ 166,954	\$ 478,284

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Tax Anticipation Notes	FEMA Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 229,129	\$ 146,607	\$ 411,700	\$ 3,075	\$ 927,472	\$ 2,906,122
-	-	-	-	-	1,095,229
-	-	-	-	-	-
-	-	-	-	-	279,937
-	-	-	2,138,402	91,668	2,258,248
860	800	-	-	3,668	254,940
127,428	259,779	-	-	112,603	977,408
2,567	2,874	-	-	1,545	68,301
<u>\$ 359,984</u>	<u>\$ 410,060</u>	<u>\$ 411,700</u>	<u>\$ 2,141,477</u>	<u>\$ 1,136,956</u>	<u>\$ 7,840,185</u>
\$ -	\$ -	\$ -	\$ 582,791	\$ 96,901	\$ 679,692
54,299	42,180	1	-	82,164	606,991
-	-	73,294	772,693	15,686	977,408
-	-	-	-	6,998	90,998
<u>54,299</u>	<u>42,180</u>	<u>73,295</u>	<u>1,355,484</u>	<u>201,749</u>	<u>2,355,089</u>
-	-	-	1,569,502	28,359	1,771,277
-	-	-	1,569,502	28,359	1,771,277
2,567	2,874	-	-	1,545	68,301
-	-	338,405	-	881,607	2,315,241
-	-	-	-	58,875	58,875
303,118	365,006	-	(783,509)	(35,179)	1,271,402
<u>305,685</u>	<u>367,880</u>	<u>338,405</u>	<u>(783,509)</u>	<u>906,848</u>	<u>3,713,819</u>
<u>\$ 359,984</u>	<u>\$ 410,060</u>	<u>\$ 411,700</u>	<u>\$ 2,141,477</u>	<u>\$ 1,136,956</u>	<u>\$ 7,840,185</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, 2019

Total fund balances - governmental funds balance sheet	\$ 3,713,819
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.	1,771,277
Prepaid bond insurance is not a current financial resource and therefore, is not reported in the governmental funds.	19,619
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	13,894,083
Differences resulting from the refunding of certificates of obligation relate to long-term debt and therefore, are not reported in the governmental funds.	642,293
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.	1,114,275
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.	(307,139)
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>(15,171,717)</u>
Net position of governmental activities	<u>\$ 5,676,510</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, 2019

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 6,595,278	\$ -	\$ -
General sales and use taxes	1,593,666	-	-
Selective sales and use taxes	30,277	-	-
Fees, licenses, and permits	180,131	112,216	147,622
Charges for services	424,602	-	-
Fines and forfeitures	188,370	-	-
Intergovernmental revenue and grants	381,917	6,517	8,575
Contributions and donations from private sources	2,560	1,200	12,050
Payments in lieu of taxes	63,362	-	-
Investment earnings	9,523	183	403
Other revenue	38,347	-	-
	<u>9,508,033</u>	<u>120,116</u>	<u>168,650</u>
EXPENDITURES			
General government	2,916,785	-	-
Judicial and law enforcement	4,409,074	-	-
Highways and streets	-	466,359	477,037
Health and welfare	-	-	-
Culture and recreation	100,302	-	-
Pass-through expenditures	-	-	-
Capital outlay	107,339	-	-
Debt service			
Principal	57,480	24,472	65,892
Interest	4,356	6,681	7,771
Debt issuance costs	-	-	-
	<u>7,595,336</u>	<u>497,512</u>	<u>550,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,912,697</u>	<u>(377,396)</u>	<u>(382,050)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of real and personal property	875	-	-
Proceeds from debt issuance	39,300	-	-
Transfers in	15,790	348,823	615,697
Transfers out	(1,849,036)	-	-
	<u>(1,793,071)</u>	<u>348,823</u>	<u>615,697</u>
Net other financing sources (uses)			
NET CHANGE IN FUND BALANCE	119,626	(28,573)	233,647
FUND BALANCE - BEGINNING OF YEAR	2,850,068	173,833	212,789
PRIOR PERIOD ADJUSTMENT	<u>(982,880)</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,986,814</u>	<u>\$ 145,260</u>	<u>\$ 446,436</u>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Tax Anticipation Notes	FEMA Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 787,322	\$ 7,382,600
-	-	-	-	-	1,593,666
-	-	-	-	71,757	102,034
171,186	159,174	-	-	214,411	984,740
-	-	-	-	81,664	506,266
-	-	-	-	153,787	342,157
9,947	9,261	-	472,341	1,210,780	2,099,338
1,975	-	-	-	7,805	25,590
-	-	-	-	-	63,362
630	550	1,416	-	3,219	15,924
-	-	-	-	718	39,065
<u>183,738</u>	<u>168,985</u>	<u>1,416</u>	<u>472,341</u>	<u>2,531,463</u>	<u>13,154,742</u>
-	-	-	-	441,698	3,358,483
-	-	-	-	1,094,604	5,503,678
657,497	517,542	1,417,348	1,125	92,376	3,629,284
-	-	-	-	385,722	385,722
-	-	-	-	64,249	164,551
-	-	-	-	204,136	204,136
110,000	-	-	-	1,135,105	1,352,444
28,100	55,223	-	-	524,227	755,394
1,926	2,108	-	-	366,734	389,576
-	-	45,663	-	12,900	58,563
<u>797,523</u>	<u>574,873</u>	<u>1,463,011</u>	<u>1,125</u>	<u>4,321,751</u>	<u>15,801,831</u>
<u>(613,785)</u>	<u>(405,888)</u>	<u>(1,461,595)</u>	<u>471,216</u>	<u>(1,790,288)</u>	<u>(2,647,089)</u>
40,000	1,000	-	-	-	41,875
110,000	-	1,800,000	-	1,260,282	3,209,582
392,660	461,313	-	-	840,156	2,674,439
-	(15,790)	-	(471,216)	(338,397)	(2,674,439)
<u>542,660</u>	<u>446,523</u>	<u>1,800,000</u>	<u>(471,216)</u>	<u>1,762,041</u>	<u>3,251,457</u>
(71,125)	40,635	338,405	-	(28,247)	604,368
376,810	327,245	-	-	1,028,857	4,969,602
-	-	-	(783,509)	(93,762)	(1,860,151)
<u>\$ 305,685</u>	<u>\$ 367,880</u>	<u>\$ 338,405</u>	<u>\$ (783,509)</u>	<u>\$ 906,848</u>	<u>\$ 3,713,819</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, 2019

Net change in fund balance - governmental funds	\$ 604,368
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.	1,912,621
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.	(1,072,613)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	821,177
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.	755,394
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals) decreases net position.	(4,872)
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.	(3,209,582)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	16,356
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	(3,991)
This amount represents the change in net pension assets and liabilities from the beginning of the period to the end of the period.	(212,504)
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>\$ (390,055)</u>

See accompanying notes to the financial statements.

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HOUSTON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,654,229
TOTAL ASSETS	<u>\$ 1,654,229</u>
LIABILITIES	
Amounts held for others	\$ 1,327,208
Due to other units	<u>327,021</u>
TOTAL LIABILITIES	<u>\$ 1,654,229</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, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of Houston County, Texas (the “County”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to government units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies used by the County are discussed below.

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

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

New Accounting Pronouncements

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), is intended to improve the information that is disclosed in notes to government financial statements related to debt and to clarify which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. Implementation of GASB 88 is reflected in the County’s notes to the financial statements.

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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (“GASB 95”). As a result of the COVID-19 pandemic, GASB 95 is intended to delay implementation of GASBs 83, 84, 88, 89, 90, 91, and 92 by one year. Implementation of GASB 87 is delayed by 18 months.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

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, 2019, the general fund, tax anticipation notes 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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019.

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

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

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

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, was as follows:

General fund	\$.47670
Debt service	<u>.06330</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 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.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Restricted Assets

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

Prepaid Items

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

Capital Assets, Depreciation, and Amortization

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

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

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

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

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

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

Deferred Inflows/Outflows of Resources

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Deferred Inflows of Resources. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three items that qualify for reporting in this category: unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only on the governmental funds balance sheet and recognized as an inflow of resources in the period that the amounts become available; and unamortized differences – pension plan projected and actual investment earnings and unamortized differences – pension plan expected and actual economic experience, both of which arise only under a full accrual basis of accounting, are reported on the government-wide statement of net position and are recognized as a component of pension expense at an actuarially determined rate.

Compensated Absences

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

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

Long-term Obligations

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

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

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

Pensions

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, 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.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Process

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

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

Expenditures in Excess of Appropriations – FEMA Fund. Expenditures exceeded appropriations by \$111,316.

Deficit Fund Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At September 30, 2019, 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, 2019, the County's cash deposits with depository banks totaled \$5,186,587. Included in the balances are certificates of deposit totaling \$1,094,229 and agency funds in the amount of \$1,682,628. All deposits were fully collateralized by securities pledged by the depository banks with total collateral value of \$9,345,931, in addition to FDIC coverage.

Receivables

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

	Property Taxes	Sales Taxes	Grants	Other	Totals
Receivables by fund					
General fund	\$ 759,740	\$ 279,937	\$ 28,178	\$ 248,307	\$ 1,316,162
Road and bridge	-	-	-	2,965	2,965
FEMA funds	-	-	2,138,402	-	2,138,402
Nonmajor funds	<u>103,428</u>	<u>-</u>	<u>91,668</u>	<u>3,668</u>	<u>198,764</u>
Gross receivables	<u>863,168</u>	<u>279,937</u>	<u>2,258,248</u>	<u>254,940</u>	<u>3,656,293</u>
Allowance for for uncollectibles	<u>(863,168)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(863,168)</u>
Total receivables, net	<u>\$ -</u>	<u>\$ 279,937</u>	<u>\$ 2,258,248</u>	<u>\$ 254,940</u>	<u>\$ 2,793,125</u>

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
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Property Taxes. Of the \$863,168 in gross property taxes receivable, \$605,916 represents the outstanding balances of assessments for tax years 2017 and prior.

Capital Assets

	<u>Balance</u> <u>09/30/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2019</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	18,018,801	990,658	(17,595)	18,991,864
Infrastructure	168,453	75,016	-	243,469
Rolling stock	6,136,531	763,604	(152,641)	6,747,494
Furniture and equipment	<u>1,238,300</u>	<u>83,343</u>	<u>-</u>	<u>1,321,643</u>
Total being depreciated	<u>25,562,085</u>	<u>1,912,621</u>	<u>(170,236)</u>	<u>27,304,470</u>
Less accumulated depreciation:				
Buildings and improvements	(6,898,627)	(574,686)	14,576	(7,458,737)
Infrastructure	(29,723)	(10,923)	-	(40,646)
Rolling stock	(4,664,929)	(423,844)	150,789	(4,937,984)
Furniture and equipment	<u>(1,058,906)</u>	<u>(63,159)</u>	<u>-</u>	<u>(1,122,065)</u>
Total accumulated depreciation	<u>(12,652,185)</u>	<u>(1,072,612)</u>	<u>165,365</u>	<u>(13,559,432)</u>
Total being depreciated, net	<u>12,909,900</u>	<u>840,009</u>	<u>(4,871)</u>	<u>13,745,038</u>
Total capital assets, net	<u>\$ 13,058,945</u>	<u>\$ 840,009</u>	<u>\$ (4,871)</u>	<u>\$ 13,894,083</u>
				<u>(11,673,780)</u>
				<u>\$ 2,220,303</u>

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

General government	\$ 79,466
Judicial and law enforcement	591,414
Highways and streets	323,259
Health and welfare	16,289
Culture and recreation	<u>62,184</u>
Total	<u>\$ 1,072,612</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 2.75% and are all for durations greater than one year. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Capital Leases - *continued*

	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Asset:				
Rolling stock	\$ 156,521	\$ 1,087,455	\$ 27,681	\$ 1,271,656
Less accumulated depreciation	<u>(42,855)</u>	<u>(235,154)</u>	<u>(11,995)</u>	<u>(290,004)</u>
Total	<u>\$ 113,666</u>	<u>\$ 852,301</u>	<u>\$ 15,686</u>	<u>\$ 981,653</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, 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>
2020	\$ 54,790	\$ 230,664	\$ 9,416	\$ 294,870
2021	26,306	179,930	-	206,236
2022	25,619	95,972	-	121,591
2023	<u>-</u>	<u>301,680</u>	<u>-</u>	<u>301,680</u>
Total minimum lease payments	\$ 106,716	\$ 808,246	\$ 9,416	\$ 924,378
Less amount representing interest	<u>(4,676)</u>	<u>(50,275)</u>	<u>(189)</u>	<u>(55,140)</u>
Present value of minimum lease payments	<u>\$ 102,040</u>	<u>\$ 757,971</u>	<u>\$ 9,227</u>	<u>\$ 869,238</u>

Long-term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	<u>Balance 09/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/19</u>	<u>Due Within One Year</u>
Long-term debt:					
<i>Direct borrowings and placements</i>					
Capital leases	\$ 894,593	\$ 184,800	\$ (210,155)	\$ 869,238	\$ 273,887
Note payable	-	1,224,782	(30,240)	1,194,542	32,000
2019 Bonds	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>1,800,000</u>	<u>225,000</u>
	<u>894,593</u>	<u>3,209,582</u>	<u>(240,395)</u>	<u>3,863,780</u>	<u>530,887</u>
<i>Other debt:</i>					
2008 Certificates	1,455,000	-	(460,000)	995,000	485,000
2015 Bonds	<u>8,670,000</u>	<u>-</u>	<u>(55,000)</u>	<u>8,615,000</u>	<u>55,000</u>
	<u>10,125,000</u>	<u>-</u>	<u>(515,000)</u>	<u>9,610,000</u>	<u>540,000</u>
<i>Bond premiums:</i>					
2008 Certificates	19,846	-	(6,616)	13,230	-
2015 Bonds	<u>663,816</u>	<u>-</u>	<u>(44,254)</u>	<u>619,562</u>	<u>-</u>
	<u>683,662</u>	<u>-</u>	<u>(50,870)</u>	<u>632,792</u>	<u>-</u>
Other:					
Compensated absences	262,666	-	(16,356)	246,310	-
Net pension liability	<u>(329,480)</u>	<u>1,394,625</u>	<u>-</u>	<u>1,065,145</u>	<u>-</u>
	<u>(66,814)</u>	<u>1,394,625</u>	<u>(16,356)</u>	<u>1,311,455</u>	<u>-</u>
Totals	<u>\$ 11,636,441</u>	<u>\$ 4,604,207</u>	<u>\$ (822,621)</u>	<u>\$ 15,418,027</u>	<u>\$ 1,070,887</u>

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Long-term Liabilities - *continued*

Interest expense for the year ended September 30, 2019 was as follows:

Interest charges	\$ 389,576
Increase (decrease) in accrued interest payable	3,990
Amortization of 2015 bond insurance	1,401
Amortization of 2008 bond premium	(6,615)
Amortization of 2015 bond premium	(44,254)
Amortization of 2015 refunding loss	<u>45,878</u>
Total	<u>\$ 389,976</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
2020	\$ 540,000	\$ 343,013	\$ 530,887	\$ 111,824
2021	565,000	317,038	471,144	93,439
2022	585,000	294,963	400,544	81,819
2023	605,000	277,113	595,663	70,845
2024	620,000	258,738	310,000	54,621
2025 - 2029	3,440,000	973,131	860,000	171,940
2030 - 2034	3,255,000	266,700	417,000	95,081
2035 - 2039	<u>-</u>	<u>-</u>	<u>278,543</u>	<u>18,554</u>
Total	<u>\$ 9,610,000</u>	<u>\$ 2,730,696</u>	<u>\$ 3,863,781</u>	<u>\$ 698,123</u>

At year end, the County had cash totaling \$3,551 available in the debt service fund to service long-term debt.

Long-term and other debt payable at September 30, 2019, 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 2.75% and are all for durations greater than one year. Each lease purchase is collateralized by the equipment that each respective agreement serves to finance as well as certificates of deposit totaling \$1,094,229 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, 2019, 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
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, proceeds totaling \$336,989 remained unexpended.

Certificates of Obligation, Series 2008. On August 15, 2008, the County issued \$13,499,998 of certificates of obligation. The bonds were issued as follows: \$14,998 of capital appreciation certificates maturing in February, 2009 and a yield to maturity of 2.350%; \$8,580,000 of current interest serial certificates bearing interest at rates of 4.000% to 5.250% and maturing from 2010 to 2029; and \$4,905,000 of current interest term certificates bearing interest at rates of 5.125% to 5.250% with maturities of 2028 and 2033. The term bonds are subject to mandatory redemption in prescribed amounts before the maturity dates beginning in 2027 and 2030. The proceeds were used to construct and equip a new county jail. The certificates were issued with a reoffering premium of \$229,040. The premium is reported on the statement of net position and is being amortized over the life of the bonds as a component of interest expense. During fiscal year 2016, \$8,635,000 of principal was refunded, with the principal and pro-rata portion of the reoffering premium (\$122,057) being removed from the County's books.

Houston County, Texas General Obligation Refunding Bonds, Series 2015. In October, 2015, the County issued \$8,995,000 of general obligation refunding bonds carrying interest at rates of 2.00% to 4.00%. The County issued the bonds to advance refund a callable portion (\$8,635,000) of the outstanding *Certificates of Obligation, Series 2008* with interest at rates of 5.00% to 5.25% and original maturities of 2022-2033. The certificates were issued with an original issue premium of \$789,204. The premium is reported on the statement of net position and is being amortized over the life of the bonds as a component of interest expense.

The net proceeds were used to purchase U.S. Government securities which were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2008 series bonds. The advance refunding was calculated by the County's financial adviser to have reduced total debt service payments over the next 18 years by over \$1,457,000. The refunding resulted in a deferred amount on refunding totaling \$818,159, which is reported on the statement of net position as a deferred outflow of resources and is being amortized over the life of the bonds as a component of interest expense.

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

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, 2019 are as follows:

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Interfund Balances – continued

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 154	\$ (115,735)
Road and Bridge Precinct No. 1	129,070	-
Road and Bridge Precinct No. 2	348,374	-
Road and Bridge Precinct No. 3	127,428	-
Road and Bridge Precinct No. 4	259,779	-
Tax Anticipation Notes	-	(73,294)
FEMA Funds	-	(772,693)
Nonmajor	<u>112,603</u>	<u>(15,686)</u>
Totals	<u>\$ 977,408</u>	<u>\$ (977,408)</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, 2019:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 15,790	\$ (1,849,036)
Road and Bridge Precinct No. 1	348,823	-
Road and Bridge Precinct No. 2	615,697	-
Road and Bridge Precinct No. 3	392,660	-
Road and Bridge Precinct No. 4	461,313	(15,790)
FEMA Funds	-	(471,216)
Nonmajor	<u>840,156</u>	<u>(338,397)</u>
Totals	<u>\$ 2,674,439</u>	<u>\$ (2,674,439)</u>

Defined Benefit Pension Plan

Plan Description. Houston County participates as one of 760 plans in the non-traditional defined benefit plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of 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.

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, 2019

Employees Covered by Benefit Terms. At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	137
Active employees	152
	366

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 6.03% for calendar year 2018 and 6.01% for calendar year 2019. The contribution rate payable by the employee members for fiscal year 2019 is the rate of 7.00% as adopted by the County. For fiscal year 2019, the County’s total contributions totaled \$297,119 and were equal to required contributions.

The County’s Net Pension Liability/Asset (“NPL”) was measured as of December 31, 2018, 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, 2018, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2018, 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, 2018 was 10.3 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, 2019

are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 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	10.5%	5.40%
Private equity	18.0%	8.40%
Global equities	2.5%	5.70%
International equities - developed	10.0%	5.40%
International equities - emerging	7.0%	5.90%
Investment-grade bonds	3.0%	1.60%
Strategic credit	12.0%	4.39%
Direct lending	11.0%	7.95%
Distressed debt	2.0%	7.20%
REIT equities	2.0%	4.15%
Master limited partnerships	3.0%	5.35%
Private real estate partnerships	6.0%	6.30%
Hedge funds	<u>13.0%</u>	3.90%
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, 2019

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

	<u>Increase (Decrease)</u>		
	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) - (b)</u>
Balance at 12/31/2017	\$ 15,727,832	\$ 16,017,877	\$ (290,044)
Changes for the year:			
Service cost	528,148	-	557,516
Interest on total pension liability	1,291,013	-	1,291,013
Effect of economic/demographic (gains) or losses	(140,561)	-	(140,561)
Effect of assumption changes or inputs	-	-	-
Refund of contributions	(103,664)	(103,664)	-
Benefit payments	(544,035)	(544,035)	-
Administrative expenses	-	(12,605)	12,605
Employer contributions	-	293,426	(293,426)
Member contributions	-	340,474	(340,474)
Net investment income	-	(298,570)	298,570
Other	-	686	(686)
Net changes	<u>1,030,901</u>	<u>(324,288)</u>	<u>1,355,189</u>
Balance at 12/31/2018	<u>\$ 16,758,733</u>	<u>\$ 15,693,588</u>	<u>\$ 1,065,145</u>

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

	1% Decrease in Discount Rate <u>(7.1%)</u>	Discount Rate <u>(8.1%)</u>	1% Increase in Discount Rate <u>(9.1%)</u>
Total pension liability	\$ 18,840,945	\$ 16,758,733	\$ 14,999,634
Fiduciary net position	<u>15,693,588</u>	<u>15,693,588</u>	<u>15,693,588</u>
Net pension liability (asset)	<u>\$ 3,147,357</u>	<u>\$ 1,065,145</u>	<u>\$ (693,954)</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2019, the County recognized net pension (benefit) expense of \$511,905. Net pension (benefit) expense was charged to functions/programs as follows:

<u>Function/program</u>	<u>Governmental Activities</u>
General government	\$ 89,507
Judicial and law enforcement	321,383
Highways and streets	85,480
Health and welfare	11,795
Culture and recreation	<u>3,740</u>
Total	<u>\$ 511,905</u>

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

At September 30, 2019, the County reported deferred amounts related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (136,064)
Difference between projected and actual investment earnings	978,185	-
Changes in actuarial assumptions	46,369	-
Contributions subsequent to the measurement date	225,785	-
Totals, governmental activities	\$ 1,250,339	\$ (136,064)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ended December 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 612,486	\$ (68,034)
2020	180,515	(68,030)
2021	138,337	-
2022	319,001	-
Total	\$ 1,250,339	\$ (136,064)

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, 2019 the County contributed \$79,271 toward post-employment health insurance benefits.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Deferred Compensation

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

Interlocal Agreement with Houston County Hospital District

In 2015, the County entered into an agreement with Houston County Hospital District (“HCHD”) for the funding of ambulance services throughout a portion of the county, with the County and HCHD each funding a portion of the costs. As a part of the agreement, the County entered into a five-year agreement with Lifeguard Ambulance Service for ambulance services at a rate of \$20,417 per month. The agreement with Lifeguard included a sublease agreement whereby the County would provide Lifeguard with a garage and living quarters at no additional cost. The interlocal agreement with HCHD was amended in 2017 to require HCHD to reimburse the County at a rate of 100% of the monthly costs. During the year, payments made to Lifeguard totaled \$192,917. At September 30, 2019, amounts receivable from HCHD under the terms of the agreement totaled \$137,813.

Tax Abatements

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

In January, 2015, the County entered into an agreement with a pipeline company seeking to construct a natural gas processing plant. Terms of the agreement include: abatement of ad valorem and personal property taxes on the value of new eligible properties beginning with tax year 2016 (base year) and continuing for 10 years; and 65% of abated taxes payable to the county on January 1 of each year following the tax year for which the 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, 2019, the County’s gross property tax revenues were reduced by approximately \$137,819.

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The County provides insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this coverage during the current year.

Contingent Liabilities

All amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may be required to be repaid to the granting agency. Amounts payable by the County in its capacity as a pass-through grantor have been accrued along with an offsetting grant receivable (i.e. should expenditures claimed by subrecipients be disallowed by

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

the granting agency(ies), no liability to the County would exist). The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

Prior Period Adjustment

Allowances for Uncollectible Receivables – Property Taxes have been recorded to reflect management’s estimate of collectability of property taxes receivable. Fund balances has been decreased and restated to reflect these corrections.

Deferred Inflows of Resources – Unavailable Revenues have been recorded to reflect the portions of certain revenues that were not collected within 60 days of year end and were therefore, not available in accordance with the current financial resources measurement focus that is required by fund accounting.

The net effect to fund balance and net position is summarized in the table that follows.

Adjustments – Governmental Activities	Increase (Decrease)	
	Fund Balances	Net Position
<i>Assets – Allowance for Uncollectible Receivables</i>		
General fund – property taxes	\$ (845,067)	\$ -
Debt service fund – property taxes	(64,983)	-
<i>Deferred Inflows of Resources – Unavailable Revenues</i>		
General fund – ambulance reimbursements	(137,813)	-
FEMA fund	(783,509)	-
EMPG grant fund	(28,779)	-
Net prior period adjustments	\$ (1,860,151)	\$ -

Subsequent Events

Management has evaluated subsequent events through July 20, 2020, the date when the financial statements were available to be issued.

As a result of the COVID-19/coronavirus 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.

**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, 2019

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav)
	Adopted	Appropriated		Final to Actual
REVENUES				
Property taxes	\$ 6,466,844	\$ 6,455,344	\$ 6,595,278	\$ 139,934
General sales and use taxes	980,000	980,000	1,593,666	613,666
Selective sales and use taxes	16,000	16,000	30,277	14,277
Fees, licenses, and permits	159,000	159,000	180,131	21,131
Charges for services	498,868	498,868	424,602	(74,266)
Fines and forfeitures	173,500	173,500	188,370	14,870
Intergovernmental revenue and grants	436,210	438,827	381,917	(56,910)
Contributions and donations from private sources	-	1,500	2,560	1,060
Payments in lieu of taxes	43,000	43,000	63,362	20,362
Investment earnings	10,000	10,000	9,523	(477)
Other revenue	-	51,316	38,347	(12,969)
Total revenues	<u>8,783,422</u>	<u>8,827,355</u>	<u>9,508,033</u>	<u>680,678</u>
EXPENDITURES				
General government				
County judge	156,688	156,688	157,303	(615)
County commissioners	273,691	273,691	263,397	10,294
County clerk	169,655	179,575	171,250	8,325
Information technology	116,468	121,468	121,237	231
Non-departmental	917,074	838,527	774,736	63,791
Human resources	6,500	6,500	3,775	2,725
District clerk	237,569	237,569	231,029	6,540
County juvenile board	17,176	17,176	17,196	(20)
Elections	111,599	131,699	121,939	9,760
County auditor	201,231	201,710	183,753	17,957
County treasurer	162,276	163,331	155,789	7,542
County tax assessor-collector	334,854	335,454	332,667	2,787
Courthouse	185,573	178,338	172,707	5,631
Insurance	88,000	80,000	71,080	8,920
Utilities	182,500	152,924	138,927	13,997
Total general government	3,160,854	3,074,650	2,916,785	157,865
Judicial and law enforcement				
County court at law	313,425	313,425	307,484	5,941
District court	123,133	123,133	117,935	5,198
Justice of the peace, Pct No. 1	121,938	121,938	121,107	831
Justice of the peace, Pct No. 2	122,293	122,293	122,285	8
County attorney	338,014	326,357	319,529	6,828
District attorney	286,786	278,533	275,906	2,627
County constable, Pct No. 1	82,976	82,976	81,252	1,724
County constable, Pct No. 2	88,455	93,292	91,171	2,121
Sheriff	1,525,733	1,525,883	1,480,607	45,276
Jail	1,383,397	1,394,063	1,453,622	(59,559)
Department of public safety	41,104	41,104	24,582	16,522
Adult probation	9,700	13,600	13,594	6
Total judicial and law enforcement	4,436,954	4,436,597	4,409,074	27,523
Culture and recreation				

HOUSTON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019
(CONTINUED)

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav)
	Adopted	Appropriated		Final to Actual
Veteran services officer	33,100	33,100	18,246	14,854
County extension service	94,879	94,879	81,550	13,329
Texas parks and wildlife	700	700	506	194
Total culture and recreation	128,679	128,679	100,302	28,377
Capital outlay				
Non-departmental	50,000	37,551	37,273	278
Courthouse	-	200	-	200
County constable, Pct No. 2	-	39,300	39,300	-
Sheriff	35,000	35,000	30,766	4,234
Total capital outlay	85,000	112,051	107,339	4,712
Debt service				
Principal	87,240	57,240	57,480	(240)
Interest	16,400	4,880	4,356	524
Total expenditures	7,915,127	7,814,097	7,595,336	218,761
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	868,295	1,013,258	1,912,697	899,439
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	875	875
Proceeds from notes/capital leases	-	39,300	39,300	-
Transfers in	-	-	15,790	15,790
Transfers out	(1,668,295)	(1,852,558)	(1,849,036)	3,522
Net other financing sources (uses)	(1,668,295)	(1,813,258)	(1,793,071)	20,187
NET CHANGE IN FUND BALANCE	(800,000)	(800,000)	119,626	919,626
FUND BALANCE - BEGINNING OF YEAR	2,850,068	2,850,068	2,850,068	-
PRIOR PERIOD ADJUSTMENT	(982,880)	(982,880)	(982,880)	-
FUND BALANCE - END OF YEAR	\$ 1,067,188	\$ 1,067,188	\$ 1,986,814	\$ 919,626

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

HOUSTON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 1
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	101,840	101,840	112,216	10,376
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	7,980	7,980	6,517	(1,463)
Contributions and donations from private sources	-	1,200	1,200	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	183	183
Other revenue	-	-	-	-
Total revenues	<u>109,820</u>	<u>111,020</u>	<u>120,116</u>	<u>9,096</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	444,310	481,010	466,359	14,651
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	24,472	24,472	24,472	-
Interest	1,200	6,700	6,681	19
Total expenditures	<u>469,982</u>	<u>512,182</u>	<u>497,512</u>	<u>14,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(360,162)</u>	<u>(401,162)</u>	<u>(377,396)</u>	<u>23,766</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	255,982	256,982	348,823	91,841
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>255,982</u>	<u>256,982</u>	<u>348,823</u>	<u>91,841</u>
NET CHANGE IN FUND BALANCE	(104,180)	(144,180)	(28,573)	115,607
FUND BALANCE - BEGINNING OF YEAR	<u>173,833</u>	<u>173,833</u>	<u>173,833</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 69,653</u>	<u>\$ 29,653</u>	<u>\$ 145,260</u>	<u>\$ 115,607</u>

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

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HOUSTON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 2
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	134,000	134,000	147,622	13,622
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	10,500	10,500	8,575	(1,925)
Contributions and donations from private sources	-	12,050	12,050	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	403	403
Other revenue	-	-	-	-
Total revenues	<u>144,500</u>	<u>156,550</u>	<u>168,650</u>	<u>12,100</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	507,650	566,500	477,037	89,463
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	65,892	65,879	65,892	(13)
Interest	7,778	7,791	7,771	20
Total expenditures	<u>581,320</u>	<u>640,170</u>	<u>550,700</u>	<u>89,470</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(436,820)</u>	<u>(483,620)</u>	<u>(382,050)</u>	<u>101,570</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	336,820	336,820	615,697	278,877
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>336,820</u>	<u>336,820</u>	<u>615,697</u>	<u>278,877</u>
NET CHANGE IN FUND BALANCE	(100,000)	(146,800)	233,647	380,447
FUND BALANCE - BEGINNING OF YEAR	<u>212,789</u>	<u>212,789</u>	<u>212,789</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 112,789</u>	<u>\$ 65,989</u>	<u>\$ 446,436</u>	<u>\$ 380,447</u>

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

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HOUSTON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 3
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	155,440	155,440	171,186	15,746
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	12,180	12,180	9,947	(2,233)
Contributions and donations from private sources	-	1,975	1,975	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	630	630
Other revenue	-	-	-	-
Total revenues	<u>167,620</u>	<u>169,595</u>	<u>183,738</u>	<u>14,143</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	653,275	767,750	657,497	110,253
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	110,000	110,000	-
Debt service				
Principal	28,100	28,100	28,100	-
Interest	1,956	1,956	1,926	30
Total expenditures	<u>683,331</u>	<u>907,806</u>	<u>797,523</u>	<u>110,283</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(515,711)</u>	<u>(738,211)</u>	<u>(613,785)</u>	<u>124,426</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	40,000	40,000	-
Proceeds from notes/capital leases	-	110,000	110,000	-
Transfers in	390,711	390,711	392,660	1,949
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>390,711</u>	<u>540,711</u>	<u>542,660</u>	<u>1,949</u>
NET CHANGE IN FUND BALANCE	(125,000)	(197,500)	(71,125)	126,375
FUND BALANCE - BEGINNING OF YEAR	<u>376,810</u>	<u>376,810</u>	<u>376,810</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 251,810</u>	<u>\$ 179,310</u>	<u>\$ 305,685</u>	<u>\$ 126,375</u>

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

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HOUSTON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 4
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	144,720	144,720	159,174	14,454
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	11,340	11,340	9,261	(2,079)
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	550	550
Other revenue	-	-	-	-
Total revenues	<u>156,060</u>	<u>156,060</u>	<u>168,985</u>	<u>12,925</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	762,497	792,494	517,542	274,952
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	55,223	55,223	55,223	-
Interest	2,105	2,108	2,108	-
Total expenditures	<u>819,825</u>	<u>849,825</u>	<u>574,873</u>	<u>274,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(663,765)</u>	<u>(693,765)</u>	<u>(405,888)</u>	<u>287,877</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	1,000	1,000
Proceeds from notes/capital leases	-	-	-	-
Transfers in	363,765	363,765	461,313	97,548
Transfers out	-	-	(15,790)	(15,790)
Net other financing sources (uses)	<u>363,765</u>	<u>363,765</u>	<u>446,523</u>	<u>82,758</u>
NET CHANGE IN FUND BALANCE	(300,000)	(330,000)	40,635	370,635
FUND BALANCE - BEGINNING OF YEAR	<u>327,245</u>	<u>327,245</u>	<u>327,245</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 27,245</u>	<u>\$ (2,755)</u>	<u>\$ 367,880</u>	<u>\$ 370,635</u>

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

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HOUSTON COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TAX ANTICIPATION NOTES FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
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	-	-	-	-
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	1,416	1,416
Other revenue	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>1,416</u>	<u>1,416</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	-	1,750,000	1,417,348	332,652
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Debt issuance costs	-	50,000	45,663	4,337
Total expenditures	<u>-</u>	<u>1,800,000</u>	<u>1,463,011</u>	<u>336,989</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>-</u>	<u>(1,800,000)</u>	<u>(1,461,595)</u>	<u>338,405</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	1,800,000	1,800,000	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>338,405</u>	<u>338,405</u>
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,405</u>	<u>\$ 338,405</u>

See accompanying notes to the financial statements.

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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, 2019

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav)
	Adopted	Appropriated		Final to Actual
REVENUES				
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	-	110,491	472,341	361,850
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	-	110,491	472,341	361,850
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	-	1,125	1,125	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	1,125	1,125	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	109,366	471,216	361,850
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	1,950	(471,216)	(473,166)
Net other financing sources (uses)	-	1,950	(471,216)	(473,166)
NET CHANGE IN FUND BALANCE	-	111,316	-	(111,316)
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
PRIOR PERIOD ADJUSTMENT	(783,509)	(783,509)	(783,509)	-
FUND BALANCE - END OF YEAR	\$ (783,509)	\$ (672,193)	\$ (783,509)	\$ (111,316)

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

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HOUSTON COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS - LAST TEN YEARS *
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Plan Year Ending December 31, **				
	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 528,148	\$ 557,516	\$ 582,530	\$ 480,944	\$ 478,176
Interest on total pension liability	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	(140,561)	(84,713)	(208,714)	(18,574)	(37,965)
Benefit payments/refunds of contributions	(647,699)	(531,831)	(489,816)	(458,381)	(415,502)
NET CHANGE IN TOTAL PENSION LIABILITY	1,030,901	1,231,917	982,287	1,100,236	955,303
TOTAL PENSION LIABILITY - BEGINNING	<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>
TOTAL PENSION LIABILITY - ENDING	(a) <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>
PLAN FIDUCIARY NET POSITION					
Employer contributions	\$ 293,426	\$ 272,512	\$ 337,794	\$ 338,512	\$ 297,141
Member contributions	340,474	329,461	338,953	342,983	298,850
Investment income, net of investment expenses	(298,570)	2,033,546	953,230	13,409	797,258
Benefit payments/refunds of contributions	(647,699)	(531,831)	(489,816)	(458,381)	(415,502)
Administrative expenses	(12,605)	(10,652)	(10,409)	(9,219)	(9,385)
Other	686	840	(117,372)	19,353	13,836
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(324,288)	2,093,876	1,012,380	246,657	982,198
PLAN FIDUCIARY NET POSITION - BEGINNING	<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>
PLAN FIDUCIARY NET POSITION - ENDING	(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>
NET PENSION LIABILITY (ASSET) - ENDING	(a - b) <u>\$ 1,065,145</u>	<u>\$ (290,044)</u>	<u>\$ 571,915</u>	<u>\$ 602,008</u>	<u>\$ (251,571)</u>
RELATED RATIOS					
Plan Fiduciary Net Position as a percentage of Total Pension Liability	93.64%	101.84%	96.05%	95.55%	102.03%
Pensionable Covered Payroll	\$ 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	21.90%	-6.16%	11.85%	12.45%	-5.89%

* - GASB 68 requires ten years of data to be presented. Data for only five 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, 2019

<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%

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

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HOUSTON COUNTY, TEXAS
NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS
SEPTEMBER 30, 2019

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

Methods and Assumptions Used to Determine Contribution Rates

<i>Actuarial Cost Method</i>	Entry Age
<i>Amortization Method</i>	Level percentage of payroll, Closed
<i>Amortization Period</i>	12.3 years (based on contribution rate calculate in 12/31/18 valuation)
<i>Asset Valuation Method</i>	5-year smoothed market
<i>Inflation</i>	2.75%
<i>Salary Increases</i>	4.9% average over career including inflation, varies by age and service.
<i>Investment Rate of Return</i>	8.0%, net of investment expenses, including inflation
<i>Cost-of-Living Adjustments</i>	0.0%
<i>Retirement Age</i>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<i>Mortality</i>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
<i>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*</i>	2015: New inflation, mortality, and other assumptions were reflected. 2017: New mortality assumptions were reflected.
<i>Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*</i>	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

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

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

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

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SUPPLEMENTARY INFORMATION

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COMBINING FUND STATEMENTS

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**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 3,551	\$ 923,921	\$ 927,472
Receivables			
Property taxes, net of allowance	-	-	-
Grants	-	91,668	91,668
Other - miscellaneous	-	3,668	3,668
Due from other funds	-	112,603	112,603
Prepaid items	-	1,545	1,545
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,551</u>	<u>\$ 1,133,405</u>	<u>\$ 1,136,956</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ 96,901	\$ 96,901
Accounts payable and accrued expenses	-	82,164	82,164
Due to other funds	-	15,686	15,686
Unearned revenues	-	6,998	6,998
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	-	201,749	201,749
Deferred inflows of resources			
Unavailable revenues	-	28,359	28,359
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	-	28,359	28,359
Fund balances			
Nonspendable	-	1,545	1,545
Restricted	3,551	878,056	881,607
Assigned	-	58,875	58,875
Unassigned	-	(35,179)	(35,179)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	3,551	903,297	906,848
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,551</u>	<u>\$ 1,133,405</u>	<u>\$ 1,136,956</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, 2019

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 787,322	\$ -	\$ 787,322
Selective sales and use taxes	-	71,757	71,757
Fees, licenses, and permits	-	214,411	214,411
Charges for services	-	81,664	81,664
Fines and forfeitures	-	153,787	153,787
Intergovernmental revenue and grants	-	1,210,780	1,210,780
Contributions and donations from private sources	-	7,805	7,805
Investment earnings	309	2,910	3,219
Other revenue	-	718	718
Total revenues	<u>787,631</u>	<u>1,743,832</u>	<u>2,531,463</u>
EXPENDITURES			
General government	-	441,698	441,698
Judicial and law enforcement	-	1,094,604	1,094,604
Highways and streets	-	92,376	92,376
Health and welfare	-	385,722	385,722
Culture and recreation	-	64,249	64,249
Pass-through expenditures	-	204,136	204,136
Capital outlay	-	1,135,105	1,135,105
Debt service			
Principal	515,000	9,227	524,227
Interest	366,358	376	366,734
Debt issuance costs	-	12,900	12,900
Total expenditures	<u>881,358</u>	<u>3,440,393</u>	<u>4,321,751</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(93,727)</u>	<u>(1,696,561)</u>	<u>(1,790,288)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	1,260,282	1,260,282
Transfers in	77,647	762,509	840,156
Transfers out	-	(338,397)	(338,397)
Net other financing sources (uses)	<u>77,647</u>	<u>1,684,394</u>	<u>1,762,041</u>
NET CHANGE IN FUND BALANCE	(16,080)	(12,167)	(28,247)
FUND BALANCE - BEGINNING OF YEAR	84,614	944,243	1,028,857
PRIOR PERIOD ADJUSTMENT	<u>(64,983)</u>	<u>(28,779)</u>	<u>(93,762)</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,551</u>	<u>\$ 903,297</u>	<u>\$ 906,848</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019**

	Jury Fund	Airport Fund	Senior Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 10,788	\$ 807	\$ 28,632
Receivables			
Grants	-	-	21,436
Other - miscellaneous	-	-	-
Due from other funds	10,792	3,400	11,500
Prepaid items	<u>-</u>	<u>479</u>	<u>1,066</u>
TOTAL ASSETS	<u><u>\$ 21,580</u></u>	<u><u>\$ 4,686</u></u>	<u><u>\$ 62,634</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ 4,133	\$ -
Accounts payable and accrued expenses	21,368	272	14,831
Due to other funds	-	-	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>21,368</u>	<u>4,405</u>	<u>14,831</u>
Deferred inflows of resources			
Unavailable revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	479	1,066
Restricted	212	-	-
Assigned	-	-	46,737
Unassigned	<u>-</u>	<u>(198)</u>	<u>-</u>
Total fund balances	<u>212</u>	<u>281</u>	<u>47,803</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 21,580</u></u>	<u><u>\$ 4,686</u></u>	<u><u>\$ 62,634</u></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>
\$ -	\$ -	\$ -	\$ 115,750	\$ 112,975	\$ 26,416
-	-	-	-	-	-
-	-	-	1,778	-	-
20,476	1,146	1,722	-	-	-
-	-	-	-	-	-
<u>\$ 20,476</u>	<u>\$ 1,146</u>	<u>\$ 1,722</u>	<u>\$ 117,528</u>	<u>\$ 112,975</u>	<u>\$ 26,416</u>
\$ 5,718	\$ 97	\$ 332	\$ -	\$ -	\$ -
2,789	50	972	2,000	-	776
-	-	-	-	3,400	-
-	-	-	-	-	-
<u>8,507</u>	<u>147</u>	<u>1,304</u>	<u>2,000</u>	<u>3,400</u>	<u>776</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,969	999	418	115,528	109,575	25,640
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,969</u>	<u>999</u>	<u>418</u>	<u>115,528</u>	<u>109,575</u>	<u>25,640</u>
<u>\$ 20,476</u>	<u>\$ 1,146</u>	<u>\$ 1,722</u>	<u>\$ 117,528</u>	<u>\$ 112,975</u>	<u>\$ 26,416</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019**

	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>County & District Court Technology</u>
ASSETS			
Cash and cash equivalents	\$ 16,049	\$ 10,376	\$ 1,095
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	126	504	102
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 16,175</u></u>	<u><u>\$ 10,880</u></u>	<u><u>\$ 1,197</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	12,132	-	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>12,132</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Deferred inflows of resources			
Unavailable revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund balances			
Nonspendable	-	-	-
Restricted	4,043	10,880	1,197
Assigned	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u><u>4,043</u></u>	<u><u>10,880</u></u>	<u><u>1,197</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 16,175</u></u>	<u><u>\$ 10,880</u></u>	<u><u>\$ 1,197</u></u>

<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Election Services Contracts</u>	<u>Right of Way</u>	<u>Road & Bridge Fines</u>	<u>Timber & Mineral Funds</u>
\$ 8,966	\$ 9,113	\$ 3,698	\$ 46,639	\$ 59,086	\$ 295,040
-	-	-	-	-	-
-	-	-	1,800	-	-
60	116	-	-	12,746	-
-	-	-	-	-	-
<u>\$ 9,026</u>	<u>\$ 9,229</u>	<u>\$ 3,698</u>	<u>\$ 48,439</u>	<u>\$ 71,832</u>	<u>\$ 295,040</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,411	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,411	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
9,026	9,229	3,698	48,439	70,421	295,040
-	-	-	-	-	-
-	-	-	-	-	-
<u>9,026</u>	<u>9,229</u>	<u>3,698</u>	<u>48,439</u>	<u>70,421</u>	<u>295,040</u>
<u>\$ 9,026</u>	<u>\$ 9,229</u>	<u>\$ 3,698</u>	<u>\$ 48,439</u>	<u>\$ 71,832</u>	<u>\$ 295,040</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019**

	<u>Records Management & Preservation</u>	<u>Co Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>
ASSETS			
Cash and cash equivalents	\$ 5,178	\$ 19,765	\$ 778
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	802	3,008	171
Prepaid items	-	-	-
TOTAL ASSETS	<u>\$ 5,980</u>	<u>\$ 22,773</u>	<u>\$ 949</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	510	1,307	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>510</u>	<u>1,307</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenues	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	5,470	21,466	949
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>5,470</u>	<u>21,466</u>	<u>949</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,980</u>	<u>\$ 22,773</u>	<u>\$ 949</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>	<u>District Attorney Hot Checks</u>
\$ 598	\$ 37,973	\$ 5,199	\$ 17,807	\$ 60	\$ 605
-	-	-	-	-	-
-	-	-	-	90	-
207	150	250	-	-	-
-	-	-	-	-	-
<u>\$ 805</u>	<u>\$ 38,123</u>	<u>\$ 5,449</u>	<u>\$ 17,807</u>	<u>\$ 150</u>	<u>\$ 605</u>
\$ -	\$ -	\$ -	\$ -	\$ 26	\$ -
-	-	-	434	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	434	26	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
805	38,123	5,449	17,373	124	605
-	-	-	-	-	-
-	-	-	-	-	-
<u>805</u>	<u>38,123</u>	<u>5,449</u>	<u>17,373</u>	<u>124</u>	<u>605</u>
<u>\$ 805</u>	<u>\$ 38,123</u>	<u>\$ 5,449</u>	<u>\$ 17,807</u>	<u>\$ 150</u>	<u>\$ 605</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019**

	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>	<u>DA Salary Supplement</u>
ASSETS			
Cash and cash equivalents	\$ 1,851	\$ 17,676	\$ -
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	-		5,415
Prepaid items	-	-	-
TOTAL ASSETS	<u><u>\$ 1,851</u></u>	<u><u>\$ 17,676</u></u>	<u><u>\$ 5,415</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ 1,915
Accounts payable	-	-	1,303
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>3,218</u>
Deferred inflows of resources			
Unavailable revenues	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	1,851	17,676	2,197
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>1,851</u>	<u>17,676</u>	<u>2,197</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 1,851</u></u>	<u><u>\$ 17,676</u></u>	<u><u>\$ 5,415</u></u>

<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Unclaimed Funds</u>
\$ 19,262	\$ 12,138	\$ 7,843	\$ 17,626	\$ 461	\$ 4,893
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 19,262</u>	<u>\$ 12,138</u>	<u>\$ 7,843</u>	<u>\$ 17,626</u>	<u>\$ 461</u>	<u>\$ 4,893</u>
\$ -	\$ -	\$ -	\$ 9,166	\$ -	\$ -
250	-	613	586	-	-
-	-	154	-	-	-
-	-	-	6,998	-	-
<u>250</u>	<u>-</u>	<u>767</u>	<u>16,750</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
19,012	-	7,076	876	461	4,893
-	12,138	-	-	-	-
-	-	-	-	-	-
<u>19,012</u>	<u>12,138</u>	<u>7,076</u>	<u>876</u>	<u>461</u>	<u>4,893</u>
<u>\$ 19,262</u>	<u>\$ 12,138</u>	<u>\$ 7,843</u>	<u>\$ 17,626</u>	<u>\$ 461</u>	<u>\$ 4,893</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019**

	Miscellaneous Grants	Emergency Management Grant	Victims Assistance Grant
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 4,634	\$ -	\$ -
Receivables			
Grants	1,944	28,360	5,047
Other - miscellaneous	-	-	-
Due from other funds	-	34,000	5,910
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 6,578</u></u>	<u><u>\$ 62,360</u></u>	<u><u>\$ 10,957</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ 1,944	\$ 56,384	\$ 13,648
Accounts payable	-	5,517	2,000
Due to other funds	-	-	-
Unearned revenues	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,944</u>	<u>61,901</u>	<u>15,648</u>
Deferred inflows of resources			
Unavailable revenues	<u>-</u>	<u>28,359</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>28,359</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	4,634	-	-
Assigned	-	-	-
Unassigned	<u>-</u>	<u>(27,900)</u>	<u>(4,691)</u>
Total fund balances	<u>4,634</u>	<u>(27,900)</u>	<u>(4,691)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 6,578</u></u>	<u><u>\$ 62,360</u></u>	<u><u>\$ 10,957</u></u>

911 Addressing Grant	Energy Performance Funds	Juvenile Probation	TDA 7218216 Grant	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ 4,144	\$ -	\$ 923,921
2,724	-	22,967	9,190	91,668
-	-	-	-	3,668
-	-	-	-	112,603
-	-	-	-	1,545
<u>\$ 2,724</u>	<u>\$ -</u>	<u>\$ 27,111</u>	<u>\$ 9,190</u>	<u>\$ 1,133,405</u>
\$ 3,538	\$ -	\$ -	\$ -	\$ 96,901
1,576	-	14,409	9,190	82,164
-	-	-	-	15,686
-	-	-	-	6,998
<u>5,114</u>	<u>-</u>	<u>14,409</u>	<u>9,190</u>	<u>201,749</u>
-	-	-	-	28,359
-	-	-	-	28,359
-	-	-	-	1,545
-	-	12,702	-	878,056
-	-	-	-	58,875
(2,390)	-	-	-	(35,179)
<u>(2,390)</u>	<u>-</u>	<u>12,702</u>	<u>-</u>	<u>903,297</u>
<u>\$ 2,724</u>	<u>\$ -</u>	<u>\$ 27,111</u>	<u>\$ 9,190</u>	<u>\$ 1,133,405</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, 2019

	Jury Fund	Airport Fund	Senior Fund
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	53,528	-	-
Charges for services	-	36,708	44,956
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	42,138	-	301,862
Contributions and donations from private sources	-	-	1,804
Investment earnings	104	-	139
Other revenue	5	-	-
Total revenues	<u>95,775</u>	<u>36,708</u>	<u>348,761</u>
EXPENDITURES			
General government	-	-	-
Judicial and law enforcement	535,920	-	-
Highways and streets	-	-	-
Health and welfare	-	-	385,722
Culture and recreation	-	46,732	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	9,227
Interest	-	-	376
Debt issuance costs	-	-	-
Total expenditures	<u>535,920</u>	<u>46,732</u>	<u>395,325</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(440,145)</u>	<u>(10,024)</u>	<u>(46,564)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	-	-
Transfers in	419,840	3,400	56,500
Transfers out	-	-	-
Net other financing sources (uses)	<u>419,840</u>	<u>3,400</u>	<u>56,500</u>
NET CHANGE IN FUND BALANCE	(20,305)	(6,624)	9,936
FUND BALANCE - BEGINNING OF YEAR	20,517	6,905	37,867
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 212</u>	<u>\$ 281</u>	<u>\$ 47,803</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>
\$ -	\$ -	\$ -	\$ 71,751	\$ -	\$ -
6,596	1,000	9,006	-	-	-
-	-	-	-	-	-
4,858	-	-	-	-	-
-	-	-	-	92,648	-
-	-	-	-	-	463
16	-	1	308	151	81
-	-	-	-	-	713
<u>11,470</u>	<u>1,000</u>	<u>9,007</u>	<u>72,059</u>	<u>92,799</u>	<u>1,257</u>
-	-	10,692	26,075	-	-
108,222	6	-	-	-	-
-	-	-	-	-	-
-	-	-	-	14,129	3,388
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>108,222</u>	<u>6</u>	<u>10,692</u>	<u>26,075</u>	<u>14,129</u>	<u>3,388</u>
<u>(96,752)</u>	<u>994</u>	<u>(1,685)</u>	<u>45,984</u>	<u>78,670</u>	<u>(2,131)</u>
-	-	-	-	-	-
76,532	-	-	-	-	2,935
-	-	-	-	(3,400)	-
<u>76,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,400)</u>	<u>2,935</u>
(20,220)	994	(1,685)	45,984	75,270	804
32,189	5	2,103	69,544	34,305	24,836
-	-	-	-	-	-
<u>\$ 11,969</u>	<u>\$ 999</u>	<u>\$ 418</u>	<u>\$ 115,528</u>	<u>\$ 109,575</u>	<u>\$ 25,640</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, 2019

	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>County & District Court Technology</u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	1,141
Charges for services	-	-	-
Fines and forfeitures	1,607	6,492	-
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	48	28	3
Other revenue	-	-	-
Total revenues	<u>1,655</u>	<u>6,520</u>	<u>1,144</u>
EXPENDITURES			
General government	-	-	-
Judicial and law enforcement	-	7,000	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Debt issuance costs	-	-	-
Total expenditures	<u>-</u>	<u>7,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>1,655</u>	<u>(480)</u>	<u>1,144</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	(12,132)	-	-
Net other financing sources (uses)	<u>(12,132)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(10,477)	(480)	1,144
FUND BALANCE - BEGINNING OF YEAR	14,520	11,360	53
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,043</u>	<u>\$ 10,880</u>	<u>\$ 1,197</u>

<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Election Services Contracts</u>	<u>Right of Way</u>	<u>Road & Bridge Fines</u>	<u>Timber & Mineral Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,003	343	-	88,126	-	-
-	-	-	-	-	-
-	-	-	-	127,804	-
-	-	1,758	-	-	436,345
-	5,490	-	-	-	-
27	4	13	119	151	822
-	-	-	-	-	-
<u>1,030</u>	<u>5,837</u>	<u>1,771</u>	<u>88,245</u>	<u>127,955</u>	<u>437,167</u>
-	-	1,091	-	-	-
-	6,215	-	-	-	-
-	-	-	1,501	34,936	-
-	-	-	-	-	-
-	-	-	-	-	204,136
-	-	-	-	-	122,897
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>6,215</u>	<u>1,091</u>	<u>1,501</u>	<u>34,936</u>	<u>327,033</u>
<u>1,030</u>	<u>(378)</u>	<u>680</u>	<u>86,744</u>	<u>93,019</u>	<u>110,134</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(70,000)	(80,000)	(150,000)
-	-	-	(70,000)	(80,000)	(150,000)
1,030	(378)	680	16,744	13,019	(39,866)
7,996	9,607	3,018	31,695	57,402	334,906
-	-	-	-	-	-
<u>\$ 9,026</u>	<u>\$ 9,229</u>	<u>\$ 3,698</u>	<u>\$ 48,439</u>	<u>\$ 70,421</u>	<u>\$ 295,040</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, 2019

	Records Management & Preservation	Co Clerk Records Preservation	District Clerk Records Preservation
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	8,879	36,344	2,329
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	13	41	-
Other revenue	-	-	-
Total revenues	<u>8,892</u>	<u>36,385</u>	<u>2,329</u>
EXPENDITURES			
General government	26,472	20,409	1,500
Judicial and law enforcement	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Debt issuance costs	-	-	-
Total expenditures	<u>26,472</u>	<u>20,409</u>	<u>1,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(17,580)</u>	<u>15,976</u>	<u>829</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	-	-
Transfers in	-	5,000	-
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(17,580)	20,976	829
FUND BALANCE - BEGINNING OF YEAR	23,050	490	120
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 5,470</u>	<u>\$ 21,466</u>	<u>\$ 949</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>	<u>District Attorney Hot Checks</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,626	1,630	2,860	-	-	-
-	-	-	-	-	-
-	-	-	2,500	1,293	252
-	-	-	-	-	-
-	-	-	-	-	-
2	130	23	59	2	1
-	-	-	-	-	-
<u>1,628</u>	<u>1,760</u>	<u>2,883</u>	<u>2,559</u>	<u>1,295</u>	<u>253</u>
913	113,407	5,965	-	-	-
-	-	-	7,609	3,379	600
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>913</u>	<u>113,407</u>	<u>5,965</u>	<u>7,609</u>	<u>3,379</u>	<u>600</u>
<u>715</u>	<u>(111,647)</u>	<u>(3,082)</u>	<u>(5,050)</u>	<u>(2,084)</u>	<u>(347)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>715</u>	<u>(111,647)</u>	<u>(3,082)</u>	<u>(5,050)</u>	<u>(2,084)</u>	<u>(347)</u>
90	149,770	8,531	22,423	2,208	952
-	-	-	-	-	-
<u>\$ 805</u>	<u>\$ 38,123</u>	<u>\$ 5,449</u>	<u>\$ 17,373</u>	<u>\$ 124</u>	<u>\$ 605</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, 2019

	County Attorney Forfeiture	District Attorney Forfeiture	DA Salary Supplement
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	5,751	-
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	5	45	1
Other revenue	-	-	-
Total revenues	<u>5</u>	<u>5,796</u>	<u>1</u>
EXPENDITURES			
General government	-	-	-
Judicial and law enforcement	-	1,273	34,711
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Debt issuance costs	-	-	-
Total expenditures	<u>-</u>	<u>1,273</u>	<u>34,711</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5</u>	<u>4,523</u>	<u>(34,710)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	40,925
Transfers out	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>40,925</u>
NET CHANGE IN FUND BALANCE	5	4,523	6,215
FUND BALANCE - BEGINNING OF YEAR	1,846	13,153	(4,018)
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,851</u>	<u>\$ 17,676</u>	<u>\$ 2,197</u>

<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Unclaimed Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6
-	-	-	-	-	-
-	-	-	-	-	-
1,050	-	-	-	-	-
-	-	6,775	29,669	-	-
-	48	-	-	-	-
55	37	22	-	38	-
-	-	-	-	-	-
<u>1,105</u>	<u>85</u>	<u>6,797</u>	<u>29,669</u>	<u>38</u>	<u>6</u>
-	-	-	-	-	-
22	-	8,147	13,698	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>22</u>	<u>-</u>	<u>8,147</u>	<u>13,698</u>	<u>-</u>	<u>-</u>
<u>1,083</u>	<u>85</u>	<u>(1,350)</u>	<u>15,971</u>	<u>38</u>	<u>6</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(20,341)	-	-
-	-	-	(20,341)	-	-
1,083	85	(1,350)	(4,370)	38	6
17,929	12,053	8,426	5,246	423	4,887
-	-	-	-	-	-
<u>\$ 19,012</u>	<u>\$ 12,138</u>	<u>\$ 7,076</u>	<u>\$ 876</u>	<u>\$ 461</u>	<u>\$ 4,893</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, 2019

	Miscellaneous Grants	Emergency Management Grant	Victims Assistance Grant
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	7,563	28,779	38,008
Contributions and donations from private sources	-	-	-
Investment earnings	269	-	-
Other revenue	-	-	-
Total revenues	<u>7,832</u>	<u>28,779</u>	<u>38,008</u>
EXPENDITURES			
General government	-	-	-
Judicial and law enforcement	7,563	87,244	55,961
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	35,500	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Debt issuance costs	-	-	-
Total expenditures	<u>7,563</u>	<u>122,744</u>	<u>55,961</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	<u>269</u>	<u>(93,965)</u>	<u>(17,953)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	-	35,500	-
Transfers in	-	74,000	15,853
Transfers out	-	(2,524)	-
Net other financing sources (uses)	<u>-</u>	<u>106,976</u>	<u>15,853</u>
NET CHANGE IN FUND BALANCE	269	13,011	(2,100)
FUND BALANCE - BEGINNING OF YEAR	4,365	(12,132)	(2,591)
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>(28,779)</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,634</u>	<u>\$ (27,900)</u>	<u>\$ (4,691)</u>

911 Addressing Grant	Energy Performance Funds	Juvenile Probation	TDA 7218216 Grant	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 71,757
-	-	-	-	214,411
-	-	-	-	81,664
-	-	2,180	-	153,787
34,311	-	171,508	19,416	1,210,780
-	-	-	-	7,805
-	-	152	-	2,910
-	-	-	-	718
<u>34,311</u>	<u>-</u>	<u>173,840</u>	<u>19,416</u>	<u>1,743,832</u>
-	235,174	-	-	441,698
-	-	217,034	-	1,094,604
36,523	-	-	19,416	92,376
-	-	-	-	385,722
-	-	-	-	64,249
-	-	-	-	204,136
-	976,708	-	-	1,135,105
-	-	-	-	9,227
-	-	-	-	376
-	12,900	-	-	12,900
<u>36,523</u>	<u>1,224,782</u>	<u>217,034</u>	<u>19,416</u>	<u>3,440,393</u>
<u>(2,212)</u>	<u>(1,224,782)</u>	<u>(43,194)</u>	<u>-</u>	<u>(1,696,561)</u>
-	1,224,782	-	-	1,260,282
2,524	-	65,000	-	762,509
-	-	-	-	(338,397)
<u>2,524</u>	<u>1,224,782</u>	<u>65,000</u>	<u>-</u>	<u>1,684,394</u>
312	-	21,806	-	(12,167)
(2,702)	-	(9,104)	-	944,243
-	-	-	-	(28,779)
<u>\$ (2,390)</u>	<u>\$ -</u>	<u>\$ 12,702</u>	<u>\$ -</u>	<u>\$ 903,297</u>

See Independent Auditors' Report.

HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2019

	<u>County Attorney Hot Check</u>	<u>DA Forfeiture Trust Fund</u>	<u>Sheriff's Inmate Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 439	\$ 1,232	\$ 14,477
TOTAL ASSETS	<u>\$ 439</u>	<u>\$ 1,232</u>	<u>\$ 14,477</u>
LIABILITIES			
Amounts held for others	\$ 439	\$ 1,232	\$ 14,477
Due to other units	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 439</u>	<u>\$ 1,232</u>	<u>\$ 14,477</u>

<u>Sheriff's Commissary Funds</u>	<u>Tax Assessor's Ad Valorem</u>	<u>Tax Assessor's VIT Escrow</u>	<u>Tax Assessor's Boat Registration</u>	<u>Tax Assessor's Mobile Home Mvmt Escrow</u>	<u>Tax Assessor's Farm Fee</u>
\$ 8,630	\$ 51,027	\$ 43,521	\$ 112	\$ 5,993	\$ 265
<u>\$ 8,630</u>	<u>\$ 51,027</u>	<u>\$ 43,521</u>	<u>\$ 112</u>	<u>\$ 5,993</u>	<u>\$ 265</u>
\$ 7,001	\$ -	\$ -	\$ -	\$ -	\$ -
<u>1,629</u>	<u>51,027</u>	<u>43,521</u>	<u>112</u>	<u>5,993</u>	<u>265</u>
<u>\$ 8,630</u>	<u>\$ 51,027</u>	<u>\$ 43,521</u>	<u>\$ 112</u>	<u>\$ 5,993</u>	<u>\$ 265</u>

See Independent Auditors' Report.

HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2019

	<u>Tax Assessor's Highway Department</u>	<u>Tax Assessor's Hwy Emission Reg Fee</u>	<u>County Clerk Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 219,233	\$ 5,241	\$ 917,664
TOTAL ASSETS	<u>\$ 219,233</u>	<u>\$ 5,241</u>	<u>\$ 917,664</u>
LIABILITIES			
Amounts held for others	\$ -	\$ -	\$ 917,664
Due to other units	<u>219,233</u>	<u>5,241</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 219,233</u>	<u>\$ 5,241</u>	<u>\$ 917,664</u>

<u>District Clerk Trust Fund</u>	<u>Total Agency Funds</u>
\$ 386,395	\$ 1,654,229
<u>\$ 386,395</u>	<u>\$ 1,654,229</u>
\$ 386,395	\$ 1,327,208
-	<u>327,021</u>
<u>\$ 386,395</u>	<u>\$ 1,654,229</u>

See Independent Auditors' Report.

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COMPLIANCE SECTION

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Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas (the "County"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Houston County, Texas' basic financial statements and have issued our report thereon dated July 20, 2020.

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

July 20, 2020

Todd, Hamaker & Johnson, LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Houston County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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, 2019.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as 2019-001, that we consider to significant deficiencies.

Houston County, Texas' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Houston County, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

July 20, 2020

HOUSTON COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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	-	\$ 320,436	\$ 170,436
Schools and Roads - Grants to States - Title III	10.665	-	<u>122,897</u>	<u>-</u>
Total for CFDA 10.665			<u>443,333</u>	<u>170,436</u>
Total U.S. Department of Agriculture:			<u>443,333</u>	<u>170,436</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>19,416</u>	<u>-</u>
Total for CFDA 14.228			<u>19,416</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development:			<u>19,416</u>	<u>-</u>
<u>U.S. Department of the Interior</u>				
<i>Passed through Texas Comptroller</i>				
National Forest Acquired Lands	15.438	-	<u>33,700</u>	<u>33,700</u>
Total for CFDA 15.438			<u>33,700</u>	<u>33,700</u>
Total U.S. Department of the Interior:			<u>33,700</u>	<u>33,700</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	<u>339,755</u> ⁴	<u>-</u>
Total for CFDA 97.036			<u>339,755</u>	<u>-</u>
Emergency Management Performance Grant	97.042	EMT-2019-EP-00005 19TX-EMPG-1242	<u>28,360</u>	<u>-</u>
Total for CFDA 97.042			<u>28,360</u>	<u>-</u>
Total U.S. Department of Homeland Security:			<u>368,115</u>	<u>-</u>
Total Expenditures of Federal Awards:			<u>\$ 864,564</u>	<u>\$ 204,136</u>

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HOUSTON COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE 1 – Basis of Presentation

General. The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) includes the federal grant activity of Houston County, Texas under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the 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”)*. 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 of Expenditures of Federal Awards.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting and accordingly, all significant receivables, payables, and other liabilities are included. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – Presentation of Expenditures

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

NOTE 4 – 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 and 2019 for FEMA Disaster funds awarded in the County’s fiscal year ending September 30, 2019. The expenditures are summarized by year as follows:

	09/30/18	09/30/19	Total
PA 4416	\$ 5,702	\$ 334,053	\$ 339,755

NOTE 5 – Indirect Cost Rate

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

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, 2019**

Section I – Summary of Auditors’ Results

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>
10.665	Schools and Roads – Grants to States

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, 2019**

Section II – Financial Statements Audit Findings

None.

**HOUSTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

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.

Views of Responsible Officials and Corrective Action. See *Management’s Responses to Findings and Corrective Action Plan* on page 128.

**HOUSTON COUNTY, TEXAS
MANAGEMENT'S RESPONSES TO FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Melissa Jeter
Texas Certified Public Manager
Texas Certified Investment Officer
Houston County Auditor
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Brittani Wornack
First Assistant County Auditor
Jennifer Kulms
Angela Gross
Assistant County Auditors

Management's Response to Audit Findings Dated July 20, 2020

Houston County, Texas submits the following response to the Schedule of Findings and Questioned Costs for the fiscal year ended September 30, 2019.

2019-001 Cash Management

Response and Planned Corrective Action – In January 2019, the new County Treasurer came into office and began to take over the bank reconciliations previously performed by the Auditor's office, a statutory responsibility of the Treasurer's office. Unfortunately, the new Treasurer was not fully made aware of the requirements of the Title I Federal Timber and Mineral grant funds concerning the minimized time lapse between receipt and forwarding of funds to the pass-through entities.

The funds were received at the end of April and through a review of the receipts, the Auditor requested the payment to the entities at the next Commissioners Court meeting held June 10, 2019.

On July 21, 2020, a meeting was held with the Treasurer, Auditor and their staff to review the procedures associated with this grant to ensure proper receipting, notification and payment. All were made aware upon receipt by the Treasurer's office, request for payment and disbursement must be made within 5 business days, not to wait for Commissioners Court approval.

Anticipated Implementation Date: July 21, 2020

Official Responsible for Corrective Action: County Treasurer and County Auditor

Respectfully,

Melissa Jeter

Melissa Jeter
Houston County Auditor

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**HOUSTON COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Financial Statements Audit Findings

None.

Major Federal Award Programs Audit Findings

None.