

**HOUSTON COUNTY, TEXAS**  
**AUDITED FINANCIAL STATEMENTS**  
**AND COMPLIANCE REPORTS**  
**SEPTEMBER 30, 2017**



## INTRODUCTORY SECTION

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**HOUSTON COUNTY, TEXAS  
TABLE OF CONTENTS  
SEPTEMBER 30, 2017**

PAGE NO.

**INTRODUCTORY SECTION**

Table of Contents.....	1-2
Principal Public Officials.....	3

**FINANCIAL SECTION**

Independent Auditors' Report .....	7-9
Management's Discussion and Analysis - unaudited.....	11-17

**Basic Financial Statements**

Government-wide Financial Statements

Statement of Net Position .....	23
Statement of Activities.....	24-25

Fund Financial Statements

Balance Sheet – Governmental Funds .....	28-29
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	31
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	32-33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities .....	35
Statement of Fiduciary Net Position – Agency Funds .....	37

Notes to the Financial Statements .....	41-58
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**Required Supplementary Information - unaudited**

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	61-62
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct No. 1 .....	63
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct No. 2.....	65
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct No. 3.....	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Road and Bridge Precinct No. 4.....	69
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – FEMA Grant Fund .....	71
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Last Ten Years.....	73
Schedule of Pension Contributions – Last Ten Fiscal Years.....	75
Notes to the Schedule of Pension Contributions .....	77

**HOUSTON COUNTY, TEXAS  
TABLE OF CONTENTS  
SEPTEMBER 30, 2017**

PAGE NO.

**SUPPLEMENTARY INFORMATION SECTION**

**Combining Fund Statements**

Combining Balance Sheet – Nonmajor Governmental Funds.....	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds .....	85
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	86-95
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds.....	96-105
Combining Statement of Fiduciary Assets and Liabilities.....	106-109

**COMPLIANCE SECTION**

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 <i>Governmental Auditing Standards</i> .....	113-114
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	115-116
Schedule of Expenditures of Federal Awards.....	117-118
Notes to the Schedule of Expenditures of Federal Awards.....	119
Schedule of Findings and Questioned Costs	
Section I – Summary of Auditors’ Results .....	121
Section II – Financial Statements Audit Findings .....	122-123
Section III – Major Federal Award Programs Audit Findings and Questioned Costs .....	124
Summary Schedule of Prior Audit Findings .....	125

**HOUSTON COUNTY, TEXAS  
PRINCIPAL PUBLIC OFFICIALS  
AT SEPTEMBER 30, 2017**

**COMMISSIONERS COURT**

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

**COUNTY ELECTED OFFICIALS**

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

**DISTRICT ELECTED OFFICIALS**

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

**APPOINTED OFFICIALS**

Willie Spurlock .....Building Maintenance Supervisor  
Brandon Sheeley .....Community Supervision/Corrections Department  
Melissa Mosley..... County Auditor  
Jo Smith ..... County Extension Agent – Agriculture  
Mandy Patrick .....County Extension Agent – Family & Consumer Science  
Gloria Swor..... Elections Administrator  
Roger Dickey..... Emergency Management Coordinator & Fire Marshal  
VACANT.....Information Technology Director  
VACANT..... Juvenile Probation Department  
Fred Newtz.....Veteran Service Officer

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**FINANCIAL SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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301 N 6<sup>th</sup> Street • PO Box 1249 • Crockett, TX 75835-1249 • (936) 544-2143

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

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas, (the "County") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

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

## INDEPENDENT AUDITORS' REPORT – CONTINUED

fund information of Houston County, Texas, as of September 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Prior Period Adjustment*

As discussed in the notes to the financial statements, an adjustment to beginning fund balance of the County's road and bridge funds and government-wide net position has been recorded to reflect an additional \$190,566 in FEMA grant revenues related to fiscal years 2015 and 2016, collectively. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, and the schedule of pension contributions and related notes on pages 11 - 17 and 61 - 77, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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 and the schedule of expenditures of federal awards, on pages 83-109 and 117-119, respectively, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## INDEPENDENT AUDITORS' REPORT – CONTINUED

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on pages 113-114, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 27, 2018

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**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(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, 2017. We encourage readers to consider information presented here as well as the County's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

**Government-wide financial statements**

- The County's overall assets exceeded its total liabilities by \$6,393,998 (net position) at September 30, 2017. Of this amount, \$2,856,441 is available to be used to meet the County's ongoing obligations to citizens and creditors.
- Total assets increased by \$326,414 from the prior year; total liabilities decreased by \$326,079 from the prior year.
- Overall revenues exceeded expenses (or an increase in net position) by \$40,198. Depreciation expense of \$1,029,869 is included in these expenses.
- A prior period adjustment of \$190,566 (an increase in net position) has been recorded in these financial statements to reflect additional revenues relating to FEMA reimbursements for the 2015 and 2016 floods.

**Fund financial statements**

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$4,563,212. Overall revenues exceeded expenditures by \$655,394.
- At September 30, 2017, unassigned fund balance for the General Fund was \$1,619,328, or approximately 23% of total General Fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(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 58 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. The County's assets exceeded its liabilities by \$6,393,998 at September 30, 2017.

The largest portion of the County's net position, or \$1,868,452, reflects its investment in capital assets (\$13,843,157) less the related debt used to acquire those assets that remains outstanding (\$11,974,705). 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 \$1,669,105 represents resources that are subject to restriction on how they may be used. The remaining balance of \$2,856,441 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, 2017  
(UNAUDITED)**

**The County's Net Position**

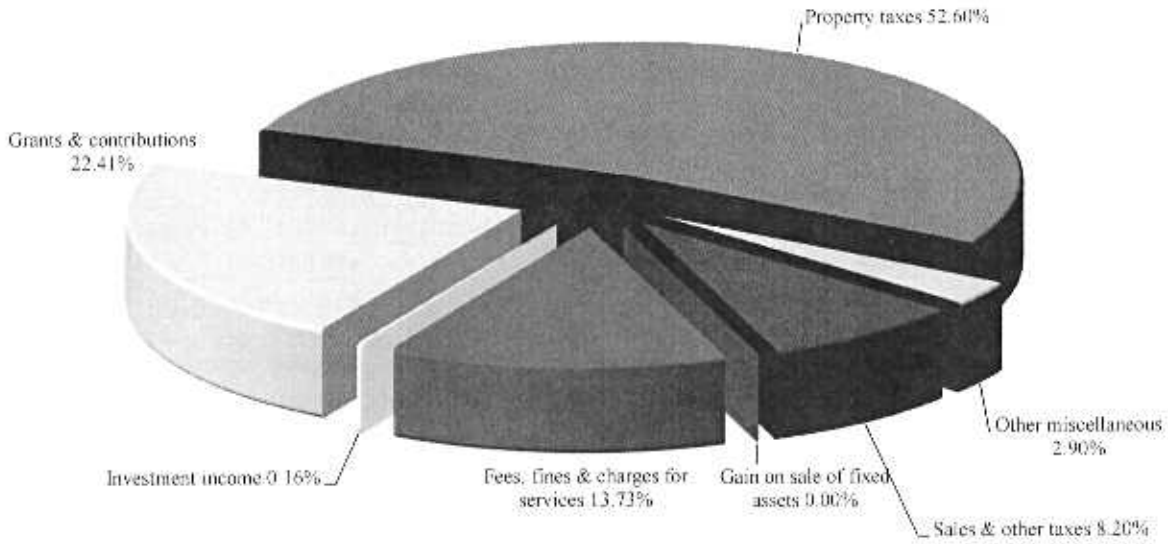
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 4,687,336	\$ 3,603,387
Capital assets, net	<u>13,843,157</u>	<u>14,600,692</u>
Total assets	<u>18,530,493</u>	<u>18,204,079</u>
Deferred outflows of resources	<u>1,783,088</u>	<u>2,079,809</u>
Total deferred outflows	<u>1,783,088</u>	<u>2,079,809</u>
Long-term debt	11,974,705	12,608,132
Other liabilities	<u>1,786,957</u>	<u>1,479,609</u>
Total liabilities	<u>13,761,662</u>	<u>14,087,741</u>
Deferred inflows of resources	<u>157,921</u>	<u>32,913</u>
Total deferred inflows	<u>157,921</u>	<u>32,913</u>
Net position		
Invested in capital assets, net of related debt	1,868,452	1,992,560
Restricted	1,669,105	1,791,088
Unrestricted	<u>2,856,441</u>	<u>2,379,586</u>
Total net position	<u>\$ 6,393,998</u>	<u>\$ 6,163,234</u>

**Change in Net Position**

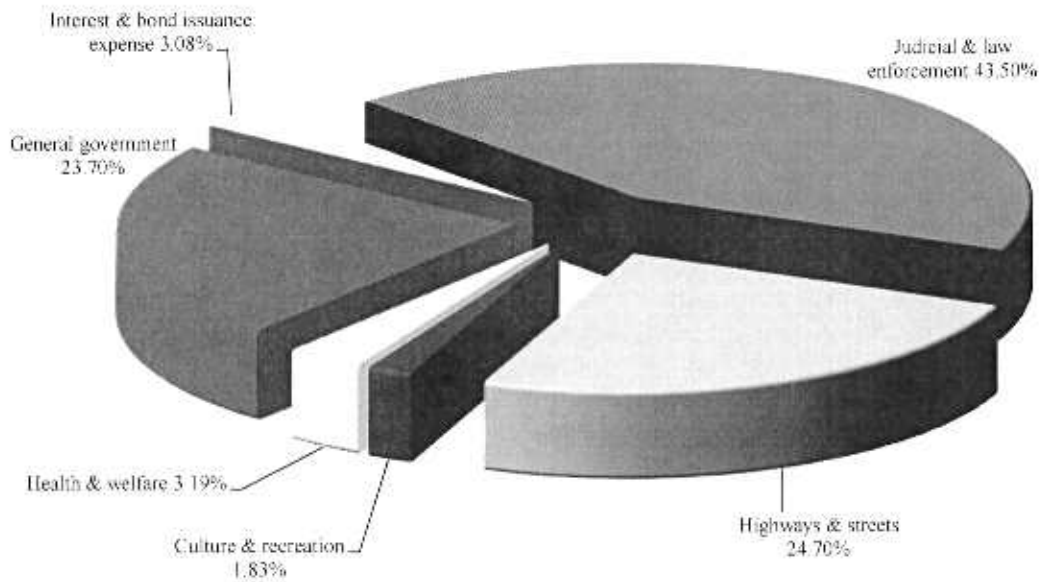
	<u>2017</u>	<u>2016</u>
Revenues		
Fees, fines, charges for services	\$ 1,833,159	\$ 1,985,222
Property taxes	6,975,532	6,174,108
Sales taxes	1,050,198	1,169,995
Other taxes	44,342	59,834
Investment income	21,710	11,317
Grants and contributions	2,991,169	1,986,348
Payment in lieu of taxes	46,551	41,541
Gain on sale of assets	-	42,424
Other miscellaneous	<u>386,921</u>	<u>144,023</u>
Total revenues	<u>13,349,582</u>	<u>11,614,812</u>
Expenses		
General government	3,161,901	3,048,351
Judicial and law enforcement	5,745,328	5,861,470
Highways and streets	3,274,290	2,985,885
Health and welfare	423,286	380,891
Culture and recreation	242,956	228,902
Pass-through expenditures	53,823	215,290
Bond issuance costs	-	180,954
Interest on long-term debt	<u>407,800</u>	<u>314,611</u>
Total expenses	<u>13,309,384</u>	<u>13,216,354</u>
Increase (decrease) in net position	40,198	(1,601,542)
Prior period adjustment	190,566	-
Net position at beginning of year	<u>6,163,234</u>	<u>7,764,776</u>
Net position at end of year	<u>\$ 6,393,998</u>	<u>\$ 6,163,234</u>

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

**Revenues by Source  
For the Fiscal Year Ended September 30, 2017**



**Expenses by Function  
For the Fiscal Year Ended September 30, 2017**



**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(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, 2017, the County's governmental funds reported a total fund balance of \$4,563,212. This fund balance is comprised of \$1,887,766 that is either in a nonspendable form, restricted or assigned for specific purpose. The remaining balance, \$2,675,446, is unassigned. During the year, the fund balance in the County's governmental funds increased by \$655,394.

**Budgetary Comparisons.** A comparison of the general fund, each individual road and bridge fund, and the FEMA grant fund budget and actual results are presented as required supplementary information on pages 61 to 71.

*General Fund.* Actual revenues were higher than budgeted amounts by \$181,781. Actual expenditures were lower than budgeted amounts by \$523,236. Actual other financing sources (uses) were unfavorable to budgeted amounts by \$3,801. An overall decrease in fund balance of \$807,902 had been projected, using prior year budget carryovers to fund the decrease. Actual amounts resulted in a decrease in fund balance of \$106,686 for the fiscal year.

*Road and Bridge Funds.* Actual revenues were higher than budgeted amounts by \$930,086. Actual expenditures were lower than budgeted amounts by \$19,940. An overall decrease in fund balance of \$60,000 had been projected, using prior year budget carryovers to fund the decrease. The actual increase in fund balance was \$890,027.

*FEMA Grant Fund.* No budget was adopted for this fund for the year ending September 30, 2017. Actual amounts yielded no change in fund balance for the year.

**CAPITAL ASSETS**

The County's investment in capital assets as of September 30, 2017 totaled \$13,843,157 (net of accumulated depreciation).

Capital assets of \$272,335 were purchased during the year. Significant purchases included:

- Network cabling upgrade for courthouse
- Computer servers
- Bridge – CR 1050
- 911 dispatch equipment and recorder (grant funded)
- Body cameras for sheriff department (grant funded)
- 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, 2017  
(UNAUDITED)**

**Capital Assets (Net of Depreciation)**

	2017	2016
Land	\$ 149,045	\$ 149,045
Construction in progress	-	-
Buildings and improvements	18,411,973	18,406,821
Infrastructure	115,733	72,792
Rolling stock	7,312,679	7,161,706
Furniture and equipment	1,658,199	1,584,931
Less: accumulated depreciation	(13,804,472)	(12,774,603)
Total	\$ 13,843,157	\$ 14,600,692

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$11,974,705.

**Debt Outstanding**

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation	\$ 11,095,000	\$ -	\$ 475,000	\$ 10,620,000
Unamortized premiums	785,401	-	50,869	734,532
Capital leases	727,731	109,401	216,959	620,173
Total	\$ 12,608,132	\$ 109,401	\$ 742,828	\$ 11,974,705

**ECONOMIC FACTORS AND FUTURE FUNDING**

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

Houston County has experienced an 81% decrease in oil and gas valuations since 2015, but the overall taxable assessed value has remained relatively stable due to increases in commercial and residential growth. Due to cost cutting measures and adopting a tax rate of \$0.54/\$100 for FY 2018, a small overall tax rate increase, the County has continued to provide services to Houston County at a superior level.

Despite difficult statewide economic times, Houston County continues to be mindful of their financial condition and impact on the local taxpayers. We remain conservative and proactive in all aspects of county activities. We are concerned about the impact of declining state and federal revenues, including timber and mineral revenues from the Davy Crockett National Forest, and declining grant availability and have reached out to our representatives on all government levels to make them aware of our needs. It's frustrating that our Federal Government is not recognizing their obligation to adequately fund the timber revenue in lieu of property taxes on the National Forest. Houston County makes up 12% National Forest, which is tax exempt.

**HOUSTON COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

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

**REQUESTS FOR INFORMATION**

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

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 222,678	\$ 222,678
Receivables		
Property taxes, net of allowance for uncollectibles	-	-
Sales tax receivable	181,494	181,494
Grants	1,992,261	1,992,261
Other - miscellaneous	533,713	533,713
Prepays	176,014	176,014
Restricted assets		
Cash and cash equivalents	641,560	641,560
Certificates of deposit	939,616	939,616
Capital assets, net of accumulated depreciation	13,843,157	13,843,157
<b>TOTAL ASSETS</b>	18,530,493	18,530,493
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred amount on bond refunding	734,049	734,049
Pension plan	1,049,039	1,049,039
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	1,783,088	1,783,088
<b>LIABILITIES</b>		
Accounts payable	928,054	928,054
Accrued interest	49,617	49,617
Unearned revenues	9,141	9,141
Compensated absences		
Due within one year	37,060	37,060
Due in more than one year	191,170	191,170
Long-term debt		
Due within one year	709,179	709,179
Due in more than one year	11,265,526	11,265,526
Net pension liability	571,915	571,915
<b>TOTAL LIABILITIES</b>	13,761,662	13,761,662
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension plan	157,921	157,921
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	157,921	157,921
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	1,868,452	1,868,452
Restricted for		
Deposits held as collateral by others	939,616	939,616
Debt service	119,535	119,535
General government	262,457	262,457
Judicial and law enforcement	124,891	124,891
Highways and streets	222,606	222,606
Unrestricted	2,856,441	2,856,441
<b>TOTAL NET POSITION</b>	\$ 6,393,998	\$ 6,393,998

See accompanying notes to the financial statements.

**HOUSTON COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 3,161,901
Judicial and law enforcement	5,745,328
Highways and streets	3,274,290
Health and welfare	423,286
Culture and recreation	242,956
Pass-through expenditures	53,823
Interest on long-term debt	407,800
Total governmental activities	\$ 13,309,384

Program Revenues			Net (Expenses)
Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
			Governmental Activities
\$ 292,089	\$ 11,995	\$ -	\$ (2,857,817)
732,407	595,373	32,291	(4,385,257)
729,018	2,010,745	-	(534,527)
42,021	267,770	-	(113,495)
37,624	19,172	-	(186,160)
-	53,823	-	-
-	-	-	(407,800)
<u>\$ 1,833,159</u>	<u>\$ 2,958,878</u>	<u>\$ 32,291</u>	<u>(8,485,056)</u>

General revenues	
Property taxes	6,975,532
Sales taxes	1,050,198
Other taxes	44,342
Investment income	21,710
Payments in lieu of taxes	46,551
Gain on sale of assets	-
Miscellaneous income	386,921
Total general revenues	<u>8,525,254</u>
Change in net position	40,198
Net position - beginning	6,163,234
Prior period adjustment	190,566
Net position - ending	<u>\$ 6,393,998</u>

See accompanying notes to the financial statements.

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**FUND FINANCIAL STATEMENTS**

**HOUSTON COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Road and Bridge Fund Pct No. 1</u>	<u>Road and Bridge Fund Pct No. 2</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 822,164	\$ 47,872	\$ -
Certificates of deposit	939,616	-	-
Receivables			
Property taxes	776,761	-	-
Sales taxes	181,494	-	-
Grants	28,180	36,230	57,686
Other - miscellaneous	206,431	-	312,128
Due from other funds	1,448	154,911	132,799
Prepaid items	<u>111,660</u>	<u>1,137</u>	<u>1,687</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,067,754</u></b>	<b><u>\$ 240,150</u></b>	<b><u>\$ 504,300</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ 29,664
Accounts payable and accrued expenses	360,806	21,563	321,801
Due to other funds	30,943	-	-
Unearned revenues	<u>5,401</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>397,150</u></b>	<b><u>21,563</u></b>	<b><u>351,465</u></b>
 <b>Fund balances</b>			
Nonspendable	111,660	1,137	1,687
Restricted	939,616	-	-
Assigned	-	-	-
Unassigned	<u>1,619,328</u>	<u>217,450</u>	<u>151,148</u>
<b>Total fund balances</b>	<b><u>2,670,604</u></b>	<b><u>218,587</u></b>	<b><u>152,835</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 3,067,754</u></b>	<b><u>\$ 240,150</u></b>	<b><u>\$ 504,300</u></b>



Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	FEMA Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 48,658	\$ 60,793	\$ -	\$ 777,391	\$ 1,756,878
-	-	-	-	939,616
-	-	-	58,732	835,493
-	-	-	-	181,494
93,276	116,235	1,544,000	116,654	1,992,261
-	-	-	15,154	533,713
91,679	291,432	-	33,264	705,533
1,679	2,074	-	35,355	153,592
<u>\$ 235,292</u>	<u>\$ 470,534</u>	<u>\$ 1,544,000</u>	<u>\$ 1,036,550</u>	<u>\$ 7,098,580</u>
\$ -	\$ -	\$ 794,777	\$ 68,199	\$ 892,640
19,989	23,332	78,402	102,161	928,054
-	-	670,821	3,769	705,533
-	-	-	3,740	9,141
<u>19,989</u>	<u>23,332</u>	<u>1,544,000</u>	<u>177,869</u>	<u>2,535,368</u>
1,679	2,074	-	11,732	129,969
-	-	-	712,299	1,651,915
-	-	-	105,882	105,882
213,624	445,128	-	28,768	2,675,446
<u>215,303</u>	<u>447,202</u>	<u>-</u>	<u>858,681</u>	<u>4,563,212</u>
<u>\$ 235,292</u>	<u>\$ 470,534</u>	<u>\$ 1,544,000</u>	<u>\$ 1,036,550</u>	<u>\$ 7,098,580</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, 2017**

Total fund balances - governmental funds balance sheet	\$ 4,563,212
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.	(835,493)
Prepaid bond insurance is not a current financial resource and therefore, is not reported in the governmental funds.	22,422
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	13,843,157
Differences resulting from the refunding of certificates of obligation relate to long-term debt and therefore, are not reported in the governmental funds.	734,049
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.	891,118
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.	(277,847)
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>(12,546,620)</u>
Net position of governmental activities	<u>\$ 6,393,998</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, 2017**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
<b>REVENUES</b>			
Property taxes	\$ 6,158,477	\$ -	\$ -
General sales and use taxes	1,050,198	-	-
Selective sales and use taxes	14,061	-	-
Fees, licenses, and permits	200,322	107,813	141,859
Charges for services	480,643	-	-
Fines and forfeitures	184,461	-	-
Intergovernmental revenue and grants	442,825	268,349	108,750
Contributions and donations from private sources	1,996	8,050	312,128
Payments in lieu of taxes	46,551	-	-
Investment earnings	12,211	206	478
Other revenue	29,531	5,921	-
Total revenues	<u>8,621,276</u>	<u>390,339</u>	<u>563,215</u>
<b>EXPENDITURES</b>			
General government	2,859,728	-	-
Judicial and law enforcement	3,976,668	-	-
Highways and streets	-	396,184	759,162
Health and welfare	-	-	-
Culture and recreation	122,827	-	-
Pass-through expenditures	-	-	-
Capital outlay	115,001	-	-
Debt service			
Principal	19,287	43,209	47,170
Interest	255	901	2,025
Total expenditures	<u>7,093,766</u>	<u>440,294</u>	<u>808,357</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,527,510</u>	<u>(49,955)</u>	<u>(245,142)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of real and personal property	-	-	-
Proceeds from debt issuance	81,721	-	-
Transfers in	7,733	283,161	372,580
Transfers out	(1,723,650)	-	-
Net other financing sources (uses)	<u>(1,634,196)</u>	<u>283,161</u>	<u>372,580</u>
<b>NET CHANGE IN FUND BALANCE</b>	(106,686)	233,206	127,438
<b>FUND BALANCE - BEGINNING OF YEAR</b>	2,777,290	(19,367)	(35,026)
<b>PRIOR PERIOD ADJUSTMENT</b>	-	4,748	60,423
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,670,604</u>	<u>\$ 218,587</u>	<u>\$ 152,835</u>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	FEMA Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 909,689	\$ 7,068,166
-	-	-	-	1,050,198
-	-	-	30,281	44,342
164,556	153,208	-	178,772	946,530
-	-	-	78,640	559,283
-	-	-	142,885	327,346
164,703	384,540	692,467	852,615	2,914,249
12,705	1,789	-	7,092	343,760
-	-	-	-	46,551
566	711	-	7,538	21,710
63,836	321	-	22,033	121,642
<u>406,366</u>	<u>540,569</u>	<u>692,467</u>	<u>2,229,545</u>	<u>13,443,777</u>
-	-	-	124,678	2,984,406
-	-	-	940,998	4,917,666
585,439	499,365	692,467	50,504	2,983,121
-	-	-	402,812	402,812
-	-	-	55,195	178,022
-	-	-	53,823	53,823
6,264	49,249	-	101,821	272,335
67,946	39,347	-	475,000	691,959
3,607	913	-	405,940	413,641
<u>663,256</u>	<u>588,874</u>	<u>692,467</u>	<u>2,610,771</u>	<u>12,897,785</u>
<u>(256,890)</u>	<u>(48,305)</u>	<u>-</u>	<u>(381,226)</u>	<u>545,992</u>
-	-	-	-	-
-	-	-	27,681	109,402
432,192	402,386	-	679,316	2,177,368
-	-	-	(453,718)	(2,177,368)
<u>432,192</u>	<u>402,386</u>	<u>-</u>	<u>253,279</u>	<u>109,402</u>
175,302	354,081	-	(127,947)	655,394
(14,250)	21,977	-	986,628	3,717,252
54,251	71,144	-	-	190,566
<u>\$ 215,303</u>	<u>\$ 447,202</u>	<u>\$ -</u>	<u>\$ 858,681</u>	<u>\$ 4,563,212</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, 2017**

Net change in fund balance - governmental funds	\$ 655,394
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.	272,335
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.	(1,029,869)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(92,632)
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.	691,959
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.	(109,402)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	(7,668)
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	2,251
This amount represents the change in net pension assets and liabilities from the beginning of the period to the end of the period.	(345,760)
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>3,590</u>
Change in net position of governmental activities	<u>\$ 40,198</u>

See accompanying notes to the financial statements.

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**HOUSTON COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 1,557,845</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,557,845</u>
<b>LIABILITIES</b>	
Amounts held for others	\$ 1,194,498
Due to other units	<u>363,347</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,557,845</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, 2017**

**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. 77, *Tax Abatement Disclosures* ("GASB 77"), establishes financial reporting standards and reporting requirements for tax abatement agreements entered into by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. Implementation of GASB 77 is reflected in the County's financial disclosures.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* (“GASB 80”), addresses financial statement presentation requirements for certain component units. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. Implementation of GASB 80 did not have an impact on the County’s financial disclosures.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (“GASB 82”), addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. Implementation of GASB 82 did not have an impact on the County’s financial disclosures.

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

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

GASB Statement No. 85, *Omnibus 2017* (“GASB 85”), addresses practice issues that have been identified during implementation of certain GASB Statements, including those related to blending component units, goodwill, fair value measurement, and postemployment benefits. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The effects of implementing GASB 85 on the County’s financial disclosures have not been evaluated by management.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (“GASB 86”), is intended to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The effects of implementing GASB 86 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.

**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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and donations are recognized as revenue in the fiscal year in which grantor eligibility requirements have been satisfied.

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

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

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

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

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

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

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

*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, 2017, the general fund, road and bridge precinct 2 fund, and FEMA grants fund are reported as major governmental funds. Additionally, the County has elected to present the road and bridge funds for precincts 1, 3, and 4 as major funds due to their significance within the County. The County has no proprietary funds.

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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

**Deposits and Investments**

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

Certificates of deposit consist of deposits with original maturities greater than three months. Certificates of deposit are recorded at cost, which approximates market value at September 30, 2017.

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

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

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

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

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



**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**Fair Value of Financial Instruments**

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

**Receivables**

Property tax receivables reflect outstanding and delinquent property tax levies and are shown net of an allowance for uncollectibles. The property tax receivable allowance is calculated based on 5% of the tax year's assessment or the receivable balance for that tax year (whichever is less).

**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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**Deferred Inflows/Outflows of Resources**

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

*Deferred Inflows of Resources.* In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category: 1) unavailable revenue – property taxes, which arises only under a modified accrual basis of accounting, is reported only on the governmental funds balance sheet and recognized as an inflow of resources in the period that the amounts become available; and 2) unamortized differences – pension plan expected and actual economic experience, which arises only under a full accrual basis of accounting, is reported on the government-wide statement of net position and is recognized as a component of pension expense at an actuarially determined rate.

**Compensated Absences**

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

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

**Long-term Obligations**

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

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

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financial sources and as capital outlay in the

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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’ 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.

**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, 2017, restricted net position represents monies that are legally restricted for payment of debt service, law enforcement costs, grant costs, or other activities for which special assessments or revenues have been received. Restricted net position also includes time deposits held as collateral by lenders. Unrestricted net position represents the net assets available for future operations.

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

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

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

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

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

Unassigned – all other spendable amounts.

**Estimates**

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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets and Budgetary Process**

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

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

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

Accounting standards require budgets to be presented for all of the County's major funds. One major fund, the FEMA grants fund, did not have an adopted budget for the year ending September 30, 2017. A comparison of the actual versus budgeted results for each major fund is included on pages 61 to 71.

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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, 2017, the County's cash deposits with depository banks totaled \$3,767,517. Included in the balances are certificates of deposit totaling \$939,616 and agency funds in the amount of \$1,577,551. All deposits were fully collateralized by securities pledged by the depository banks with total collateral value of \$6,307,592, 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	\$ 776,761	\$ 181,494	\$ 28,180	\$ 206,431	\$ 1,192,866
Road and bridge	-	-	303,427	312,128	615,555
FEMA fund	-	-	1,544,000	-	1,544,000
Nonmajor funds	58,732	-	116,654	15,154	190,540
Total receivables, gross	<u>835,493</u>	<u>181,494</u>	<u>1,992,261</u>	<u>533,713</u>	<u>3,542,961</u>
Allowance for for uncollectibles	<u>(835,493)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(835,493)</u>
Total receivables, net	<u>\$ -</u>	<u>\$ 181,494</u>	<u>\$ 1,992,261</u>	<u>\$ 533,713</u>	<u>\$ 2,707,468</u>

*Property Taxes.* Property taxes attach as an enforceable lien on property as of January 1. Property taxes are due October 1 and become delinquent January 31. The combined tax rate to finance general governmental services and principal and interest on general long term debt for the year ended September 30, 2017 (tax year 2016), was \$.52400 per \$100 of assessed valuation. Of this rate, \$.07000 was allocated to debt service and \$.45400 was allocated to maintenance and operation.

Of the \$835,493 in gross property taxes receivable, \$568,878 represents the outstanding balances of assessments for tax years 2015 and prior.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2017, is as follows:

	Balance <u>09/30/2016</u>	Additions	Deletions	Balance <u>09/30/2017</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	18,406,821	5,152	-	18,411,973
Infrastructure	72,792	42,941	-	115,733
Rolling stock	7,161,706	150,973	-	7,312,679
Furniture and equipment	<u>1,584,931</u>	<u>73,268</u>	<u>-</u>	<u>1,658,199</u>
Total being depreciated	<u>27,226,250</u>	<u>272,334</u>	<u>-</u>	<u>27,498,584</u>
Less accumulated depreciation:				
Buildings and improvements	(5,857,296)	(575,593)	-	(6,432,889)
Infrastructure	(17,528)	(4,892)	-	(22,420)
Rolling stock	(5,525,984)	(385,855)	-	(5,911,839)
Furniture and equipment	<u>(1,373,795)</u>	<u>(63,529)</u>	<u>-</u>	<u>(1,437,324)</u>
Total accumulated depreciation	<u>(12,774,603)</u>	<u>(1,029,869)</u>	<u>-</u>	<u>(13,804,472)</u>
Total being depreciated, net	<u>14,451,647</u>	<u>(757,535)</u>	<u>-</u>	<u>13,694,112</u>
Total capital assets, net	<u>\$ 14,600,692</u>	<u>\$ (757,535)</u>	<u>\$ -</u>	<u>\$ 13,843,157</u>
				<u>(11,974,705)</u>
				<u>\$ 1,868,452</u>

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

General government	\$ 58,865
Judicial and law enforcement	610,772
Highways and streets	285,620
Health and welfare	12,428
Culture and recreation	<u>62,184</u>
Total	<u>\$ 1,029,869</u>

**LIABILITIES**

**Capital Leases**

The County has entered into lease agreements as lessee for financing the acquisition of machinery and equipment and vehicles. The agreements accrue interest at rates from 1.02% to 2.05% 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.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**Capital Leases - continued**

The assets acquired through capital leases are as follows:

	General Fund	Road and Bridge Funds	Nonmajor Funds	Totals
Asset:				
Rolling stock	\$ 97,588	\$ 695,093	\$ 27,681	\$ 820,362
Less accumulated depreciation	<u>(11,867)</u>	<u>(253,227)</u>	<u>(923)</u>	<u>(266,017)</u>
Total	<u>\$ 85,721</u>	<u>\$ 441,866</u>	<u>\$ 26,758</u>	<u>\$ 554,345</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year ending September 30,	General Fund	Road and Bridge Funds	Nonmajor Funds	Totals
2018	\$ 34,258	\$ 177,729	\$ 9,793	\$ 221,780
2019	28,357	133,949	9,604	171,910
2020	27,800	134,706	9,415	171,921
2021	-	70,721	-	70,721
2022	-	-	-	-
Total minimum lease payments	\$ 90,415	\$ 517,105	\$ 28,812	\$ 636,332
Less amount representing interest	<u>(3,406)</u>	<u>(11,623)</u>	<u>(1,130)</u>	<u>(16,159)</u>
Present value of minimum lease payments	<u>\$ 87,009</u>	<u>\$ 505,482</u>	<u>\$ 27,682</u>	<u>\$ 620,173</u>

**Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Balance 09/30/16	Additions	Reductions	Balance 09/30/17	Due Within One Year
Long-term debt:					
2015 Bonds	\$ 8,770,000	\$ -	\$ (50,000)	\$ 8,720,000	\$ 50,000
2008 Certificates	2,325,000	-	(425,000)	1,900,000	445,000
Capital leases	727,731	109,401	(216,959)	620,173	214,179
Bond premiums:					
2008 Certificates	33,076	-	(6,615)	26,461	-
2015 Bonds	<u>752,325</u>	<u>-</u>	<u>(44,254)</u>	<u>708,071</u>	<u>-</u>
	<u>12,608,132</u>	<u>109,401</u>	<u>(742,828)</u>	<u>11,974,705</u>	<u>709,179</u>
Other:					
Compensated absences	220,562	7,668	-	228,230	37,060
Net pension liability	<u>602,008</u>	<u>-</u>	<u>(30,093)</u>	<u>571,915</u>	<u>-</u>
	<u>822,570</u>	<u>7,668</u>	<u>(30,093)</u>	<u>800,145</u>	<u>37,060</u>
Totals	<u>\$ 13,430,702</u>	<u>\$ 117,069</u>	<u>\$ (742,828)</u>	<u>\$ 12,774,850</u>	<u>\$ 746,239</u>

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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

Year Ending September 30,	Series 2015 Bonds		Series 2008 Certificates		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 50,000	\$ 307,537	\$ 445,000	\$ 79,446	\$ 214,179	\$ 7,601
2019	55,000	306,488	460,000	59,870	166,931	4,979
2020	55,000	305,387	485,000	37,625	169,063	2,858
2021	55,000	304,288	510,000	12,750	70,000	721
2022	585,000	294,963	-	-	-	-
2023-2027	3,215,000	1,191,756	-	-	-	-
2028-2032	3,845,000	566,725	-	-	-	-
2033-2037	860,000	17,200	-	-	-	-
Totals	<u>\$ 8,720,000</u>	<u>\$ 3,294,344</u>	<u>\$ 1,900,000</u>	<u>\$ 189,691</u>	<u>\$ 620,173</u>	<u>\$ 16,159</u>

At year end, the County had cash totaling \$60,803 available in the debt service fund to service long-term debt.

Bonds and other debt payable at September 30, 2017, are comprised of the following:

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

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

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

*Capital Leases.* The County has entered into various lease purchase agreements for the purpose of purchasing equipment. During the year, the County paid-off four existing leases and incurred two new leases. The agreements accrue interest at rates from 1.02% to 2.05% and are all for durations greater than one year. Each



**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

lease purchase is collateralized by the equipment that each respective agreement serves to finance as well as certificates of deposit totaling \$939,616 held at the County's financial institution.

**Bond Compliance Requirements**

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

**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, 2017 are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 1,448	\$ (30,943)
Road and Bridge Precinct No. 1	154,911	-
Road and Bridge Precinct No. 2	132,799	-
Road and Bridge Precinct No. 3	91,679	-
Road and Bridge Precinct No. 4	291,432	-
FEMA Grants	-	(670,821)
Nonmajor	<u>33,264</u>	<u>(3,769)</u>
Totals	<u>\$ 705,533</u>	<u>\$ (705,533)</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, 2017:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 7,733	\$ (1,723,650)
Road and Bridge Precinct No. 1	283,161	-
Road and Bridge Precinct No. 2	372,580	-
Road and Bridge Precinct No. 3	432,192	-
Road and Bridge Precinct No. 4	402,386	-
Nonmajor	<u>679,316</u>	<u>(453,718)</u>
Totals	<u>\$ 2,177,368</u>	<u>\$ (2,177,368)</u>

**Defined Benefit Pension Plan**

*Plan Description.* Houston County participates as one of 677 plans in the non-traditional defined benefit plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available online at [www.tcdrs.org](http://www.tcdrs.org).

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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.

**Employees Covered by Benefit Terms.** At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	69
Inactive employees entitled to but not yet receiving benefits	126
Active employees	155
	350

**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 7.00% for calendar year 2016 and 5.79% for calendar year 2017. The contribution rate payable by the employee members for fiscal year 2017 is the rate of 7.00% as adopted by the County. For fiscal year 2017, the County's required contributions equaled actual contributions which totaled \$290,442.

The County's Net Pension Liability/Asset ("NPL") was measured as of December 31, 2016, 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, 2016, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2016, 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 3.0 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, 2016, was 13.6 years.

Salary increases were based on a service-related table. Mortality rates for active members were based on the gender-distinct RP2000 Active Employee Mortality Table, with males calculated with a two-year set-forward, and with females calculated with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that. Mortality rates for retirees, beneficiaries, and non-

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

depositing members were based on the gender-distinct RP2000 Combined Mortality Table projected to 2014 with scale AA, and then projected with 110% of the MP-2014 Ultimate scale after that, with males calculated with a one-year set-forward, and with females calculated with no age adjustment. For disabled annuitants, the gender-distinct RP2000 Disabled Mortality Table is used, projected to 2014 with scale AA, and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and with a two-year set-forward for females.

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68. Assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 8.10%. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7 to 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 2013 for the period January 1, 2009 - December 31, 2012. 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	13.5%	4.70%
Private equity	16.0%	7.70%
Global equities	1.5%	5.00%
International equities - developed	10.0%	4.70%
International equities - emerging	7.0%	5.70%
Investment-grade bonds	3.0%	0.60%
High-yield bonds	3.0%	3.70%
Opportunistic credit	2.0%	3.83%
Direct lending	10.0%	8.15%
Distressed debt	3.0%	6.70%
REIT equities	2.0%	3.85%
Master limited partnerships	3.0%	5.60%
Private real estate partnerships	6.0%	7.20%
Hedge funds	20.0%	3.85%
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.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2015	\$ 13,513,629	\$ 12,911,621	\$ 602,008
Changes for the year:			
Service cost	582,530	-	582,530
Interest on total pension liability	1,098,287	-	1,098,287
Effect of economic/demographic (gains) or losses	(208,714)	-	(208,714)
Effect of assumption changes or inputs	-	-	-
Refund of contributions	(37,215)	(37,215)	-
Benefit payments	(452,601)	(452,601)	-
Administrative expenses	-	(10,409)	10,409
Employer contributions	-	337,794	(337,794)
Member contributions	-	338,953	(338,953)
Net investment income	-	953,230	(953,230)
Other	-	(117,372)	117,372
Net changes	<u>982,287</u>	<u>1,012,380</u>	<u>(30,093)</u>
Balance at 12/31/2016	<u>\$ 14,495,916</u>	<u>\$ 13,924,001</u>	<u>\$ 571,915</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 (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 16,368,984	\$ 14,495,916	\$ 12,935,173
Fiduciary net position	<u>13,924,001</u>	<u>13,924,001</u>	<u>13,924,001</u>
Net pension liability (asset)	<u>\$ 2,444,983</u>	<u>\$ 571,915</u>	<u>\$ (988,828)</u>

*Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions.* For the year ended September 30, 2017, the County recognized net pension (benefit) expense of \$636,199. Net pension (benefit) expense was charged to functions/programs as follows:

Function/program	Governmental Activities
General government	\$ 110,013
Judicial and law enforcement	390,686
Highways and streets	115,362
Health and welfare	14,804
Culture and recreation	5,334
Total	<u>\$ 636,199</u>

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

At September 30, 2017, the County reported deferred amounts related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (157,921)
Difference between projected and actual investment earnings	760,839	-
Changes in actuarial assumptions	80,234	-
Contributions subsequent to the measurement date	<u>207,966</u>	<u>-</u>
Totals, governmental activities	<u>\$ 1,049,039</u>	<u>\$ (157,921)</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$207,966, will be recognized as a reduction of the net pension liability/asset for the plan year ending December 31, 2017. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan year ended December 31,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
2017	\$ 506,417	\$ (83,707)	\$ 422,710
2018	298,451	(74,214)	224,237
2019	225,179	-	225,179
2020	<u>18,992</u>	<u>-</u>	<u>18,992</u>
Total	<u>\$ 1,049,039</u>	<u>\$ (157,921)</u>	<u>\$ 891,118</u>

**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 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; 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, 2017 the County contributed \$22,611 toward post-employment health insurance benefits.

**HOUSTON COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**OTHER INFORMATION**

**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, 2017, the County’s gross property tax revenues were reduced by approximately \$146,475

**Risk Management**

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

**Contingent Liabilities**

All amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may be required to be repaid to the granting agency. Amounts payable by the County in its capacity as a pass-through grantor have been accrued along with an offsetting grant receivable (i.e. should expenditures claimed by subrecipients be disallowed by the granting agency(ies), no liability to the County would exist). The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

**Prior Period Adjustment**

Summarized below are prior period adjustments to the financial statements, made to reflect changes to fund balances and net position resulting from unrecorded FEMA grant revenue in the road and bridge funds.

Adjustments – Governmental Activities	Increase (Decrease)
Fund balances – Grant revenue receivables	\$ 190,566
Net position – Grant revenue receivables	\$ 190,566

**Subsequent Events**

Management has evaluated subsequent events through June 27, 2018, the date when the financial statements were available to be issued.

**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, 2017**

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav)
	Adopted	Appropriated		Final to Actual
<b>REVENUES</b>				
Property taxes	\$ 5,926,957	\$ 5,926,957	\$ 6,158,477	\$ 231,520
General sales and use taxes	1,075,000	1,075,000	1,050,198	(24,802)
Selective sales and use taxes	9,600	9,600	14,061	4,461
Fees, licenses, and permits	200,650	200,650	200,322	(328)
Charges for services	481,868	493,008	480,643	(12,365)
Fines and forfeitures	161,500	161,500	184,461	22,961
Intergovernmental revenue and grants	187,000	438,830	442,825	3,995
Contributions and donations from private sources	750	2,150	1,996	(154)
Payments in lieu of taxes	38,000	38,000	46,551	8,551
Investment earnings	5,010	5,010	12,211	7,201
Other revenue	77,300	88,790	29,531	(59,259)
Total revenues	<u>8,163,635</u>	<u>8,439,495</u>	<u>8,621,276</u>	<u>181,781</u>
<b>EXPENDITURES</b>				
General government				
County judge	145,806	145,806	143,895	1,911
County commissioners	261,034	261,034	260,298	736
County clerk	162,052	165,127	163,992	1,135
Information technology	81,076	113,076	115,163	(2,087)
Non-departmental	864,049	954,939	747,013	207,926
Human resources	12,248	12,248	6,627	5,621
District clerk	206,798	227,668	227,411	257
County juvenile board	17,212	17,212	17,103	109
Elections	86,127	92,127	93,331	(1,204)
County auditor	190,942	192,042	179,603	12,439
County treasurer	137,100	137,100	130,349	6,751
County tax assessor-collector	328,231	328,231	316,790	11,441
Courthouse	170,331	170,331	147,661	22,670
Insurance	100,000	99,925	79,366	20,559
Utilities	234,500	234,500	177,951	56,549
Community service restitution	56,507	56,507	53,175	3,332
Total general government	<u>3,054,013</u>	<u>3,207,873</u>	<u>2,859,728</u>	<u>348,145</u>
Judicial and law enforcement				
County court at law	301,131	290,631	266,251	24,380
District court	109,314	110,614	94,795	15,819
Justice of the peace, Pet No. 1	115,752	115,752	114,679	1,073
Justice of the peace, Pet No. 2	116,107	116,107	115,372	735
County attorney	311,132	318,416	312,534	5,882
District attorney	239,121	250,236	253,105	(2,869)
Environmental officer	40,033	38,033	24,854	13,179
County constable, Pet No. 1	40,614	42,614	42,056	558
County constable, Pet No. 2	37,044	37,044	26,587	10,457
Sheriff	1,444,712	1,446,020	1,393,663	52,357
Jail	1,252,750	1,257,650	1,261,525	(3,875)
Department of public safety	38,853	38,853	38,219	634
Adult probation	-	4,760	4,405	355

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
Judicial and law enforcement (continued)				
Bail bond board	1,753	1,753	1,296	457
District attorney salary supplement	35,646	35,646	27,327	8,319
12th court of appeals	1,400	1,400	-	1,400
Total judicial and law enforcement	4,085,362	4,105,529	3,976,668	128,861
Culture and recreation				
Veteran services officer	32,431	32,431	30,832	1,599
County extension service	94,157	94,157	87,512	6,645
Texas parks and wildlife	700	700	177	523
Historical commission	24,995	24,995	4,306	20,689
Total culture and recreation	152,283	152,283	122,827	29,456
Capital outlay				
Non-departmental	-	40,000	26,780	13,220
County attorney	5,000	10,000	6,500	3,500
District attorney	5,000	-	-	-
Sheriff	98,000	81,721	81,721	-
Total capital outlay	108,000	131,721	115,001	16,720
Debt service				
Principal	19,287	19,287	19,287	-
Interest	309	309	255	54
Total expenditures	7,419,254	7,617,002	7,093,766	523,236
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	744,381	822,493	1,527,510	705,017
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	81,721	81,721	-
Transfers in	11,534	11,534	7,733	(3,801)
Transfers out	(1,661,818)	(1,723,650)	(1,723,650)	-
Net other financing sources (uses)	(1,650,284)	(1,630,395)	(1,634,196)	(3,801)
NET CHANGE IN FUND BALANCE	(905,903)	(807,902)	(106,686)	701,216
FUND BALANCE - BEGINNING OF YEAR	2,777,290	2,777,290	2,777,290	-
FUND BALANCE - END OF YEAR	\$ 1,871,387	\$ 1,969,388	\$ 2,670,604	\$ 701,216

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, 2017**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	101,000	101,000	107,813	6,813
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	6,600	6,600	268,349	261,749
Contributions and donations from private sources	-	7,000	8,050	1,050
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	206	206
Other revenue	-	5,921	5,921	-
Total revenues	<u>107,600</u>	<u>120,521</u>	<u>390,339</u>	<u>269,818</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	346,651	359,572	396,184	(36,612)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	43,209	43,209	43,209	-
Interest	901	901	901	-
Total expenditures	<u>390,761</u>	<u>403,682</u>	<u>440,294</u>	<u>(36,612)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(283,161)</u>	<u>(283,161)</u>	<u>(49,955)</u>	<u>233,206</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	283,161	283,161	283,161	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>283,161</u>	<u>283,161</u>	<u>283,161</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	233,206	233,206
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	(19,367)	(19,367)	(19,367)	-
<b>PRIOR PERIOD ADJUSTMENT</b>				
	-	-	4,748	4,748
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ (19,367)</u>	<u>\$ (19,367)</u>	<u>\$ 218,587</u>	<u>\$ 237,954</u>

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

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**ROAD AND BRIDGE PRECINCT NO. 2**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	133,000	133,000	141,859	8,859
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	8,600	8,600	108,750	100,150
Contributions and donations from private sources	-	312,128	312,128	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	478	478
Other revenue	-	-	-	-
Total revenues	<u>141,600</u>	<u>453,728</u>	<u>563,215</u>	<u>109,487</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	489,985	802,113	759,162	42,951
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	47,170	47,170	47,170	-
Interest	2,025	2,025	2,025	-
Total expenditures	<u>539,180</u>	<u>851,308</u>	<u>808,357</u>	<u>42,951</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(397,580)</u>	<u>(397,580)</u>	<u>(245,142)</u>	<u>152,438</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	372,580	372,580	372,580	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>372,580</u>	<u>372,580</u>	<u>372,580</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(25,000)</u>	<u>(25,000)</u>	<u>127,438</u>	<u>152,438</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>(35,026)</u>	<u>(35,026)</u>	<u>(35,026)</u>	<u>-</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>60,423</u>	<u>60,423</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (60,026)</u>	<u>\$ (60,026)</u>	<u>\$ 152,835</u>	<u>\$ 212,861</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, 2017**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	153,000	153,000	164,556	11,556
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,974	9,974	164,703	154,729
Contributions and donations from private sources	-	11,505	12,705	1,200
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	566	566
Other revenue	-	69,400	63,836	(5,564)
Total revenues	<u>162,974</u>	<u>243,879</u>	<u>406,366</u>	<u>162,487</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	523,613	604,518	585,439	19,079
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	6,264	(6,264)
Debt service				
Principal	67,946	67,946	67,946	-
Interest	3,607	3,607	3,607	-
Total expenditures	<u>595,166</u>	<u>676,071</u>	<u>663,256</u>	<u>12,815</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(432,192)</u>	<u>(432,192)</u>	<u>(256,890)</u>	<u>175,302</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	432,192	432,192	432,192	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>432,192</u>	<u>432,192</u>	<u>432,192</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	175,302	175,302
<b>FUND BALANCE - BEGINNING OF YEAR</b>	(14,250)	(14,250)	(14,250)	-
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	54,251	54,251
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (14,250)</u>	<u>\$ (14,250)</u>	<u>\$ 215,303</u>	<u>\$ 229,553</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, 2017**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	142,000	142,000	153,208	11,208
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,275	9,275	384,540	375,265
Contributions and donations from private sources	-	1,000	1,789	789
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	711	711
Other revenue	-	-	321	321
Total revenues	<u>151,275</u>	<u>152,275</u>	<u>540,569</u>	<u>388,294</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	548,401	549,401	499,365	50,036
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	49,249	(49,249)
Debt service				
Principal	39,347	39,347	39,347	-
Interest	913	913	913	-
Total expenditures	<u>588,661</u>	<u>589,661</u>	<u>588,874</u>	<u>787</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(437,386)</u>	<u>(437,386)</u>	<u>(48,305)</u>	<u>389,081</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	402,386	402,386	402,386	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>402,386</u>	<u>402,386</u>	<u>402,386</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(35,000)	(35,000)	354,081	389,081
<b>FUND BALANCE - BEGINNING OF YEAR</b>	21,977	21,977	21,977	-
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	71,144	71,144
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (13,023)</u>	<u>\$ (13,023)</u>	<u>\$ 447,202</u>	<u>\$ 460,225</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**  
**FEMA GRANT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual Amounts	Variances
	Original Adopted	Final Appropriated	Fund Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	-	-	692,467	692,467
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>692,467</u>	<u>692,467</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	-	-	692,467	(692,467)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>692,467</u>	<u>(692,467)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS - LAST TEN YEARS \***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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

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

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**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS\***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
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%

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

See Independent Auditors' Report and Notes to the Schedule of Pension Contributions.

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**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS**  
**SEPTEMBER 30, 2017**

**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>	13.6 years (based on contribution rate calculate in 12/31/16 valuation)
<i>Asset Valuation Method</i>	5-year smoothed market
<i>Inflation</i>	3.0%
<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>	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously, Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

**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, 2017**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 60,803	\$ 716,588	\$ 777,391
Receivables			
Property taxes	58,732	-	58,732
Grants	-	116,654	116,654
Other - miscellaneous	-	15,154	15,154
Due from other funds	-	33,264	33,264
Prepaid items	-	35,355	35,355
<b>TOTAL ASSETS</b>	<b>\$ 119,535</b>	<b>\$ 917,015</b>	<b>\$ 1,036,550</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ 68,199	\$ 68,199
Accounts payable and accrued expenses	-	102,161	102,161
Due to other funds	-	3,769	3,769
Unearned revenues	-	3,740	3,740
Total liabilities	-	177,869	177,869
 <b>Fund balances</b>			
Nonspendable	-	11,732	11,732
Restricted	119,535	592,764	712,299
Assigned	-	105,882	105,882
Unassigned	-	28,768	28,768
Total fund balances	119,535	739,146	858,681
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 119,535</b>	<b>\$ 917,015</b>	<b>\$ 1,036,550</b>

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, 2017**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 909,689	\$ -	\$ 909,689
Selective sales and use taxes	-	30,281	30,281
Fees, licenses, and permits	-	178,772	178,772
Charges for services	-	78,640	78,640
Fines and forfeitures	-	142,885	142,885
Intergovernmental revenue and grants	-	852,615	852,615
Contributions and donations from private sources	-	7,092	7,092
Investment earnings	1,520	6,018	7,538
Other revenue	7,278	14,755	22,033
Total revenues	<u>918,487</u>	<u>1,311,058</u>	<u>2,229,545</u>
<b>EXPENDITURES</b>			
General government	-	124,678	124,678
Judicial and law enforcement	-	940,998	940,998
Highways and streets	-	50,504	50,504
Health and welfare	-	402,812	402,812
Culture and recreation	-	55,195	55,195
Pass-through expenditures	-	53,823	53,823
Capital outlay	-	101,821	101,821
Debt service			
Principal	475,000	-	475,000
Interest	405,940	-	405,940
Total expenditures	<u>880,940</u>	<u>1,729,831</u>	<u>2,610,771</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>37,547</u>	<u>(418,773)</u>	<u>(381,226)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	27,681	27,681
Transfers in	-	679,316	679,316
Transfers out	-	(453,718)	(453,718)
Net other financing sources (uses)	<u>-</u>	<u>253,279</u>	<u>253,279</u>
<b>NET CHANGE IN FUND BALANCE</b>	37,547	(165,494)	(127,947)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>81,988</u>	<u>904,640</u>	<u>986,628</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 119,535</u>	<u>\$ 739,146</u>	<u>\$ 858,681</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2017**

	Jury Fund	Airport Fund	Courthouse Security Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 38,563	\$ 9,713	\$ 24,364
Receivables			
Grants	-	-	-
Other - miscellaneous	3,740	-	-
Due from other funds	4,000	-	1,317
Prepaid items	-	379	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ 46,303</b>	<b>\$ 10,092</b>	<b>\$ 25,681</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ 32,141	\$ 330	\$ -
Accounts payable and accrued expenses	26,220	512	2,303
Due to other funds	-	-	-
Unearned revenues	3,740	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total liabilities</b>	<b>62,101</b>	<b>842</b>	<b>2,303</b>
<b>Fund balances</b>			
Nonspendable	-	379	-
Restricted	-	-	23,378
Assigned	-	8,871	-
Unassigned	(15,798)	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total fund balances</b>	<b>(15,798)</b>	<b>9,250</b>	<b>23,378</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 46,303</b>	<b>\$ 10,092</b>	<b>\$ 25,681</b>

<u>Law Library Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>County &amp; District Court Technology</u>
\$ 3,421	\$ 54,455	\$ 38,805	\$ 12,641	\$ 6,787	\$ 1,118
-	-	-	-	-	-
-	3,981	-	-	-	-
1,179	-	-	85	349	99
-	-	-	-	7,000	-
<u>\$ 4,600</u>	<u>\$ 58,436</u>	<u>\$ 38,805</u>	<u>\$ 12,726</u>	<u>\$ 14,136</u>	<u>\$ 1,217</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
849	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	7,000	-
3,751	58,436	-	12,726	7,136	1,217
-	-	38,805	-	-	-
-	-	-	-	-	-
<u>3,751</u>	<u>58,436</u>	<u>38,805</u>	<u>12,726</u>	<u>14,136</u>	<u>1,217</u>
<u>\$ 4,600</u>	<u>\$ 58,436</u>	<u>\$ 38,805</u>	<u>\$ 12,726</u>	<u>\$ 14,136</u>	<u>\$ 1,217</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2017**

	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,709	\$ 689	\$ 35,963
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	75	21	-
Prepaid items	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>
<b>TOTAL ASSETS</b>	<u>\$ 6,784</u>	<u>\$ 710</u>	<u>\$ 35,963</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Total liabilities</b>	<u>        </u>	<u>        </u>	<u>        </u>
 <b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	6,784	-	-
Assigned	-	710	35,963
Unassigned	-	-	-
	<u>        </u>	<u>        </u>	<u>        </u>
<b>Total fund balances</b>	<u>6,784</u>	<u>710</u>	<u>35,963</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 6,784</u>	<u>\$ 710</u>	<u>\$ 35,963</u>

<u>Road &amp; Bridge Fines</u>	<u>Records Management &amp; Preservation</u>	<u>Co Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>
\$ 58,798	\$ 4,467	\$ 4,192	\$ 50	\$ 25	\$ 148,096
-	-	-	-	-	-
-	-	-	-	-	-
13,428	5,201	3,215	140	234	-
-	-	2,850	-	-	23,413
<u>\$ 72,226</u>	<u>\$ 9,668</u>	<u>\$ 10,257</u>	<u>\$ 190</u>	<u>\$ 259</u>	<u>\$ 171,509</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
494	-	1,951	28	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>494</u>	<u>-</u>	<u>1,951</u>	<u>28</u>	<u>-</u>	<u>-</u>
-	-	2,850	-	-	-
71,732	9,668	-	162	259	171,509
-	-	-	-	-	-
-	-	5,456	-	-	-
<u>71,732</u>	<u>9,668</u>	<u>8,306</u>	<u>162</u>	<u>259</u>	<u>171,509</u>
<u>\$ 72,226</u>	<u>\$ 9,668</u>	<u>\$ 10,257</u>	<u>\$ 190</u>	<u>\$ 259</u>	<u>\$ 171,509</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2017**

	District Clerk Archives	Co Attorney Pre-trial Intervention	Hot Check Fees
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,565	\$ 18,821	\$ 13,581
Receivables			
Grants	-	-	-
Other - miscellaneous	-	1,930	710
Due from other funds	230	-	-
Prepaid items	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b><u>\$ 13,795</u></b>	<b><u>\$ 20,751</u></b>	<b><u>\$ 14,291</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ -	\$ -	\$ 5,034
Accounts payable	-	407	604
Due to other funds	-	-	-
Unearned revenues	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>          </u>	<u>407</u>	<u>5,638</u>
 <b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	13,795	20,344	-
Assigned	-	-	8,653
Unassigned	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>13,795</u>	<u>20,344</u>	<u>8,653</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 13,795</u></b>	<b><u>\$ 20,751</u></b>	<b><u>\$ 14,291</u></b>

<u>District Attorney Hot Checks</u>	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>
\$ 1,032	\$ 1,843	\$ 11,323	\$ 17,582	\$ 11,848	\$ 4,910
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,032</u>	<u>\$ 1,843</u>	<u>\$ 11,323</u>	<u>\$ 17,582</u>	<u>\$ 11,848</u>	<u>\$ 4,910</u>
\$ -	\$ -	\$ 510	\$ -	\$ -	\$ -
-	-	-	776	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>510</u>	<u>776</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	1,843	10,813	16,806	-	4,910
1,032	-	-	-	11,848	-
-	-	-	-	-	-
<u>1,032</u>	<u>1,843</u>	<u>10,813</u>	<u>16,806</u>	<u>11,848</u>	<u>4,910</u>
<u>\$ 1,032</u>	<u>\$ 1,843</u>	<u>\$ 11,323</u>	<u>\$ 17,582</u>	<u>\$ 11,848</u>	<u>\$ 4,910</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2017**

	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Miscellaneous Grants</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,974	\$ 371	\$ 82
Receivables			
Grants	-	-	15,795
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 5,974</u>	<u>\$ 371</u>	<u>\$ 15,877</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deficit in pooled cash	\$ 361	\$ 49	\$ 10,970
Accounts payable	309	-	1,431
Due to other funds	-	-	600
Unearned revenues	-	-	-
<b>Total liabilities</b>	<u>670</u>	<u>49</u>	<u>13,001</u>
 <b>Fund balances</b>			
Nonspendable	-	-	-
Restricted	5,304	322	2,876
Assigned	-	-	-
Unassigned	-	-	-
<b>Total fund balances</b>	<u>5,304</u>	<u>322</u>	<u>2,876</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 5,974</u>	<u>\$ 371</u>	<u>\$ 15,877</u>



<u>Senior Fund</u>	<u>Emergency Management Grant</u>	<u>Victims Assistance Grant</u>	<u>Juvenile Probation</u>	<u>911 Addressing Grant</u>	<u>Ike Grant</u>
\$ 29,601	\$ -	\$ -	\$ 10,275	\$ -	\$ 8
11,303	37,261	1,822	-	2,557	-
4,793	-	-	-	-	-
-	1,030	-	2,661	-	-
1,026	210	-	477	-	-
<u>\$ 46,723</u>	<u>\$ 38,501</u>	<u>\$ 1,822</u>	<u>\$ 13,413</u>	<u>\$ 2,557</u>	<u>\$ 8</u>
\$ -	\$ 6,399	\$ 3,985	\$ 5,255	\$ 3,165	\$ -
22,354	9,641	2,268	6,775	1,276	5
284	105	-	2,780	-	-
-	-	-	-	-	-
<u>22,638</u>	<u>16,145</u>	<u>6,253</u>	<u>14,810</u>	<u>4,441</u>	<u>5</u>
1,026	-	-	477	-	-
-	-	-	-	(1,884)	3
-	-	-	-	-	-
<u>23,059</u>	<u>22,356</u>	<u>(4,431)</u>	<u>(1,874)</u>	<u>-</u>	<u>-</u>
<u>24,085</u>	<u>22,356</u>	<u>(4,431)</u>	<u>(1,397)</u>	<u>(1,884)</u>	<u>3</u>
<u>\$ 46,723</u>	<u>\$ 38,501</u>	<u>\$ 1,822</u>	<u>\$ 13,413</u>	<u>\$ 2,557</u>	<u>\$ 8</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2017**

	<u>Timber &amp; Mineral Funds</u>	<u>Title II Timber Funds</u>	<u>THC Courthouse Renovation</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 126,916	\$ -	\$ -
Receivables			
Grants	47,916	-	-
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 174,832</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	23,958	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>23,958</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	150,874	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>150,874</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 174,832</u>	<u>\$ -</u>	<u>\$ -</u>

<u>CETRZ Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 716,588
-	116,654
-	15,154
-	33,264
<u>-</u>	<u>35,355</u>
<u>\$ -</u>	<u>\$ 917,015</u>

\$ -	\$ 68,199
-	102,161
-	3,769
<u>-</u>	<u>3,740</u>
<u>-</u>	<u>177,869</u>

-	11,732
-	592,764
-	105,882
<u>-</u>	<u>28,768</u>
<u>-</u>	<u>739,146</u>

<u>\$ -</u>	<u>\$ 917,015</u>
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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, 2017**

	Jury Fund	Airport Fund	Courthouse Security Fund
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	7,762	-	7,491
Charges for services	-	37,624	-
Fines and forfeitures	-	-	5,147
Intergovernmental revenue and grants	70,531	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	230	-	167
Other revenue	-	2,847	-
Total revenues	<u>78,523</u>	<u>40,471</u>	<u>12,805</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	451,320	-	65,528
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	55,195	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>451,320</u>	<u>55,195</u>	<u>65,528</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(372,797)</u>	<u>(14,724)</u>	<u>(52,723)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	362,500	6,800	75,000
Transfers out	-	-	-
Net other financing sources (uses)	<u>362,500</u>	<u>6,800</u>	<u>75,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(10,297)	(7,924)	22,277
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>(5,501)</u>	<u>17,174</u>	<u>1,101</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (15,798)</u>	<u>\$ 9,250</u>	<u>\$ 23,378</u>

<u>Law Library Fund</u>	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Justice Court Security</u>	<u>Justice Court Technology</u>	<u>County &amp; District Court Technology</u>
\$ -	\$ 30,281	\$ -	\$ -	\$ -	\$ -
10,063	-	-	-	-	1,038
-	-	-	-	-	-
-	-	-	1,695	6,833	-
-	-	19,172	-	-	-
-	-	-	-	-	-
30	460	-	94	80	19
-	-	-	-	-	-
<u>10,093</u>	<u>30,741</u>	<u>19,172</u>	<u>1,789</u>	<u>6,913</u>	<u>1,057</u>
10,189	47,444	-	-	-	-
-	-	-	501	7,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>10,189</u>	<u>47,444</u>	<u>-</u>	<u>501</u>	<u>7,000</u>	<u>-</u>
(96)	(16,703)	19,172	1,288	(87)	1,057
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(6,800)	-	-	-
-	-	(6,800)	-	-	-
(96)	(16,703)	12,372	1,288	(87)	1,057
<u>3,847</u>	<u>75,139</u>	<u>26,433</u>	<u>11,438</u>	<u>14,223</u>	<u>160</u>
<u>\$ 3,751</u>	<u>\$ 58,436</u>	<u>\$ 38,805</u>	<u>\$ 12,726</u>	<u>\$ 14,136</u>	<u>\$ 1,217</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, 2017**

	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	1,005	141	92,500
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	50	3	167
Other revenue	-	-	-
Total revenues	<u>1,055</u>	<u>144</u>	<u>92,667</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	-	-
Highways and streets	-	-	150
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>150</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,055</u>	<u>144</u>	<u>92,517</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(82,000)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(82,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,055	144	10,517
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>5,729</u>	<u>566</u>	<u>25,446</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 6,784</u>	<u>\$ 710</u>	<u>\$ 35,963</u>

<u>Road &amp; Bridge Fines</u>	<u>Records Management &amp; Preservation</u>	<u>Co Clerk Records Preservation</u>	<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	18,082	35,035	1,579	1,430	-
-	-	-	-	-	-
107,167	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
264	6	21	1	1	1,466
-	-	-	-	-	-
<u>107,431</u>	<u>18,088</u>	<u>35,056</u>	<u>1,580</u>	<u>1,431</u>	<u>1,466</u>
-	4,680	29,019	3,045	2,818	27,025
-	-	-	-	-	-
16,588	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>16,588</u>	<u>4,680</u>	<u>29,019</u>	<u>3,045</u>	<u>2,818</u>	<u>27,025</u>
<u>90,843</u>	<u>13,408</u>	<u>6,037</u>	<u>(1,465)</u>	<u>(1,387)</u>	<u>(25,559)</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(65,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
25,843	13,408	6,037	(1,465)	(1,387)	(25,559)
45,889	(3,740)	2,269	1,627	1,646	197,068
<u>\$ 71,732</u>	<u>\$ 9,668</u>	<u>\$ 8,306</u>	<u>\$ 162</u>	<u>\$ 259</u>	<u>\$ 171,509</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, 2017**

	District Clerk Archives	Co Attorney Pre-trial Intervention	Hot Check Fees
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	2,646	-	-
Charges for services	-	-	-
Fines and forfeitures	-	5,830	5,115
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	99	159	131
Other revenue	-	-	-
Total revenues	<u>2,745</u>	<u>5,989</u>	<u>5,246</u>
<b>EXPENDITURES</b>			
General government	458	-	-
Judicial and law enforcement	-	8,014	11,277
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>458</u>	<u>8,014</u>	<u>11,277</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,287</u>	<u>(2,025)</u>	<u>(6,031)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	-	-	(10,384)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(10,384)</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,287	(2,025)	(16,415)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>11,508</u>	<u>22,369</u>	<u>25,068</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 13,795</u>	<u>\$ 20,344</u>	<u>\$ 8,653</u>



<u>District Attorney Hot Checks</u>	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>	<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
541	-	7,056	2,524	-	-
-	-	-	-	-	6,864
-	-	-	-	49	-
11	11	63	114	88	27
-	-	-	-	1,559	-
<u>552</u>	<u>11</u>	<u>7,119</u>	<u>2,638</u>	<u>1,696</u>	<u>6,891</u>
-	-	-	-	-	-
711	-	1,478	-	-	6,617
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>711</u>	<u>-</u>	<u>1,478</u>	<u>-</u>	<u>-</u>	<u>6,617</u>
<u>(159)</u>	<u>11</u>	<u>5,641</u>	<u>2,638</u>	<u>1,696</u>	<u>274</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(8,073)	-	-
-	-	-	(8,073)	-	-
<u>(159)</u>	<u>11</u>	<u>5,641</u>	<u>(5,435)</u>	<u>1,696</u>	<u>274</u>
<u>1,191</u>	<u>1,832</u>	<u>5,172</u>	<u>22,241</u>	<u>10,152</u>	<u>4,636</u>
<u>\$ 1,032</u>	<u>\$ 1,843</u>	<u>\$ 10,813</u>	<u>\$ 16,806</u>	<u>\$ 11,848</u>	<u>\$ 4,910</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, 2017**

	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Miscellaneous Grants</u>
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	25,575	-	82,806
Contributions and donations from private sources	-	-	-
Investment earnings	-	121	1,126
Other revenue	-	-	-
Total revenues	<u>25,575</u>	<u>121</u>	<u>83,932</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	13,881	-	54,804
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	51,640
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>13,881</u>	<u>-</u>	<u>106,444</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>11,694</u>	<u>121</u>	<u>(22,512)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	22,404
Transfers out	(6,533)	-	-
Net other financing sources (uses)	<u>(6,533)</u>	<u>-</u>	<u>22,404</u>
<b>NET CHANGE IN FUND BALANCE</b>	5,161	121	(108)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>143</u>	<u>201</u>	<u>2,984</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,304</u>	<u>\$ 322</u>	<u>\$ 2,876</u>

Senior Fund	Emergency Management Grant	Victims Assistance Grant	Juvenile Probation	911 Addressing Grant	Ike Grant
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
41,016	-	-	-	-	-
-	-	-	977	-	-
299,867	30,736	38,431	143,626	27,362	-
1,493	5,550	-	-	-	-
4	7	-	257	-	(5)
8,223	2,126	-	-	-	-
<u>350,603</u>	<u>38,419</u>	<u>38,431</u>	<u>144,860</u>	<u>27,362</u>	<u>(5)</u>
-	-	-	-	-	-
-	99,008	53,172	167,687	-	-
-	-	-	-	33,766	-
402,812	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,681	-	-	22,500	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>430,493</u>	<u>99,008</u>	<u>53,172</u>	<u>190,187</u>	<u>33,766</u>	<u>-</u>
<u>(79,890)</u>	<u>(60,589)</u>	<u>(14,741)</u>	<u>(45,327)</u>	<u>(6,404)</u>	<u>(5)</u>
27,681	-	-	-	-	-
60,000	88,500	10,384	50,000	3,728	-
-	(3,728)	-	-	-	-
<u>87,681</u>	<u>84,772</u>	<u>10,384</u>	<u>50,000</u>	<u>3,728</u>	<u>-</u>
7,791	24,183	(4,357)	4,673	(2,676)	(5)
16,294	(1,827)	(74)	(6,070)	792	8
<u>\$ 24,085</u>	<u>\$ 22,356</u>	<u>\$ (4,431)</u>	<u>\$ (1,397)</u>	<u>\$ (1,884)</u>	<u>\$ 3</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, 2017**

	Timber & Mineral Funds	Title II Timber Funds	THC Courthouse Renovation
<b>REVENUES</b>			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	107,645	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	746	-	-
Other revenue	-	-	-
Total revenues	<u>108,391</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
General government	-	-	-
Judicial and law enforcement	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	53,823	-	-
Capital outlay	-	-	-
Debt service	-	-	-
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>53,823</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>54,568</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt issuance	-	-	-
Transfers in	-	-	-
Transfers out	(270,000)	-	(1,200)
Net other financing sources (uses)	<u>(270,000)</u>	<u>-</u>	<u>(1,200)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(215,432)	-	(1,200)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>366,306</u>	<u>-</u>	<u>1,200</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 150,874</u>	<u>\$ -</u>	<u>\$ -</u>

<u>CETRZ Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ 30,281
-	178,772
-	78,640
-	142,885
-	852,615
-	7,092
-	6,018
-	14,755
-	1,311,058
-	124,678
-	940,998
-	50,504
-	402,812
-	55,195
-	53,823
-	101,821
-	-
-	-
-	1,729,831
-	(418,773)
-	27,681
-	679,316
-	(453,718)
-	253,279
-	(165,494)
-	904,640
<u>\$ -</u>	<u>\$ 739,146</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2017**

	<u>County Attorney Hot Check</u>	<u>DA Forfeiture Trust Fund</u>	<u>Sheriff's Inmate Trust Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,113	\$ 33,089	\$ 13,932
<b>TOTAL ASSETS</b>	<u>\$ 6,113</u>	<u>\$ 33,089</u>	<u>\$ 13,932</u>
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ -	\$ 13,932
Due to other units	<u>6,113</u>	<u>33,089</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 6,113</u>	<u>\$ 33,089</u>	<u>\$ 13,932</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>
\$ 7,677	\$ 38,287	\$ 34,826	\$ 262	\$ 4,629	\$ 410
<u>\$ 7,677</u>	<u>\$ 38,287</u>	<u>\$ 34,826</u>	<u>\$ 262</u>	<u>\$ 4,629</u>	<u>\$ 410</u>
\$ 6,072	\$ -	\$ -	\$ -	\$ -	\$ -
1,605	38,287	34,826	262	4,629	410
<u>\$ 7,677</u>	<u>\$ 38,287</u>	<u>\$ 34,826</u>	<u>\$ 262</u>	<u>\$ 4,629</u>	<u>\$ 410</u>

See Independent Auditors' Report.

**HOUSTON COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2017**

	Tax Assessor's Highway Department	Tax Assessor's Hwy Emission Reg Fee	Tax Assessor's IVTRS Account
<b>ASSETS</b>			
Cash and cash equivalents	\$ 238,272	\$ 5,449	\$ 405
TOTAL ASSETS	\$ 238,272	\$ 5,449	\$ 405
<b>LIABILITIES</b>			
Amounts held for others	\$ -	\$ -	\$ -
Due to other units	238,272	5,449	405
TOTAL LIABILITIES	\$ 238,272	\$ 5,449	\$ 405



<u>County Clerk Trust Fund</u>	<u>District Clerk Trust Fund</u>	<u>Total Agency Funds</u>
\$ 783,466	\$ 391,028	\$ 1,557,845
<u>\$ 783,466</u>	<u>\$ 391,028</u>	<u>\$ 1,557,845</u>
\$ 783,466	\$ 391,028	\$ 1,194,498
<u>-</u>	<u>-</u>	<u>363,347</u>
<u>\$ 783,466</u>	<u>\$ 391,028</u>	<u>\$ 1,557,845</u>

See Independent Auditors' Report.

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**COMPLIANCE SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

420 S 1<sup>st</sup> Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181  
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Melvin R. Todd, CPA  
Daren Hamaker, CPA  
Kim Johnson, CPA  
Rachel Kennerly, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas (the "County"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Houston County, Texas' basic financial statements and have issued our report thereon dated June 27, 2018.

### **Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (items 2017-001) that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

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

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

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

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

**Purpose of this Report**

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

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 27, 2018

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# Todd, Hamaker & Johnson, LLP

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2017. 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, 2017.

**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.

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

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

June 27, 2018



**HOUSTON COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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	-	\$ 99,864	\$ 29,864
Total for CFDA 10.665			<u>99,864</u>	<u>29,864</u>
Total U.S. Department of Agriculture:			<u>99,864</u>	<u>29,864</u>
<u>U.S. Department of the Interior</u>				
<i>Passed through Texas Comptroller</i>				
National Forest Acquired Lands	15.438	-	223,958	23,958
Total for CFDA 15.438			<u>223,958</u>	<u>23,958</u>
Total U.S. Department of the Interior:			<u>223,958</u>	<u>23,958</u>
<u>U.S. Department of Justice</u>				
<i>Passed through Texas Office of the Governor</i>				
Violence Against Women Formula Grants	16.588	SF-16V-302830602	1,533	-
Total for CFDA 16.588			<u>1,533</u>	<u>-</u>
Total U.S. Department of Justice:			<u>1,533</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Texas Department of Family and Protective Services</i>				
Foster Care – Title IV-E	93.658	24095781	2,966	-
Total for CFDA 93.658			<u>2,966</u>	<u>-</u>
Total U.S. Department of Health and Human Services:			<u>2,966</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Texas Department of Public Safety - Division of Emergency Management</i>				
Disaster Grants – Public Assistance	97.036	DR 4223	76,695	-
Disaster Grants – Public Assistance	97.036	DR 4272	1,542,694 <sup>†</sup>	-
Total for CFDA 97.036			<u>1,619,389</u>	<u>-</u>

**HOUSTON COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(CONTINUED)**

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Total Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Homeland Security – continued</u>				
<i>Passed through Texas Department of Public Safety - Division of Emergency Management</i>				
Emergency Management Performance Grant	97.042	2015-EP-00011 17TX-EMPG-1242	30,736	-
Total for CFDA 97.042			30,736	-
Total U.S. Department of Homeland Security:			1,650,125	-
<b>Total Expenditures of Federal Awards:</b>			<b>\$ 1,978,446</b>	<b>\$ 53,822</b>

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

**HOUSTON COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**NOTE 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) includes the federal grant activity of Houston County, Texas under programs of the federal government for the year ended September 30, 2017. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), as applicable. Because the Schedule presents only a selected portion of the operations of Houston County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of Houston County, Texas.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting and accordingly, all significant receivables, payables, and other liabilities are included, except as noted (see also, Note 4, that follows). Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* and the *Uniform Guidance*, as applicable, 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, 2016 and 2017 for FEMA Disaster funds awarded in the County’s fiscal year ending September 30, 2017. The expenditures are summarized by year as follows:

	09/30/16	09/30/17	Total
PA 4272	\$ 68,922	\$ 1,473,772	\$ 1,542,694

**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, 2017**

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Section 1 – 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>97.036</u>	<u>Disaster Grants – Public Assistance</u>
_____	_____

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, 2017**

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Section II – Financial Statements Audit Findings

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**2017-001 Significant Deficiency: Accounting for Capital Assets**  
*Prior Audit Finding 2016-001, 2015-001, and 2014-001*

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

In fiscal year 2012, the County began using the capital asset module in the County's accounting software system ("Hill Country"), but implementation was never fully completed. In February 2017, the County hired an outside party to conduct its second county wide fixed asset inventory. Information from this inventory was downloaded into the vendor's software. Additionally, asset additions and disposals through the end of fiscal year 2017 have been entered into this software. However, reports generated from this software have not be reconciled to prior year audit reports or fiscal year 2017 ending totals.

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

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

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

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

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

**Views of Responsible Officials and Corrective Action.** Houston County has worked diligently to correct this condition. A firm was hired to perform a county wide inventory in February 2016 and again in February 2017. The firm accounted for our assets, prepared detail reports, bar coded items, gathered current value information on assets, etc. The listing is now within a database and has been updated as new items are purchased and current items are disposed. Inventory reports will be sent to each department on an annual basis for confirmation of existing items. A physical inventory of all county assets will be conducted as required.

While preparing for the reconciliation of the external auditor's asset listing with the outside firm's asset listing, we discovered two complications: 1) the listing by the outside firm included some items' current value rather than the actual cost and 2) the software established the useful life of various items different from the adopted depreciation policy for fixed assets. This has slowed down the reconciliation of the two listings and made the depreciation calculation within the software unusable at this time.

**HOUSTON COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Within the next year, the Commissioners Court will be presented the reconciliation and be able to make a final determination on how to account for any variances. Also, the corrections to the useful life of assets will be completed to ensure the depreciation expenses are correct.

**HOUSTON COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

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None.



**HOUSTON COUNTY, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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Financial Statements Audit Findings

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

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

**Status.** This prior year finding remains outstanding. See also section II on pages 122 - 123.

**2016-002 Significant Deficiency: Reconciliation of Cash Accounts**  
**Previously Outstanding: 2015-002**

**Condition.** At year end, the combined funds cash account per the general ledger was not reconciled with the bank balance. The difference, though immaterial to the financial statements as a whole, has not been fully identified to date.

**Status.** This finding has been resolved.

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Major Federal Award Programs Audit Findings and Questioned Costs

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**2016-003 Noncompliance – Allowable Costs/Cost Principles**

**CFDA 97.036 – Disaster Grants – Public Assistance**

**Federal Agency: U.S. Department of Homeland Security**

**Passed Through: Texas Department of Public Safety – Division of Emergency Management**

**Criteria or specific requirements.** Guidelines set forth by the Federal Emergency Management Agency (“FEMA”) and the Texas Department of Public Safety (“DPS”), require recipients of grant awards to include expenditures on its Schedule of Expenditures of Federal Awards (“SEFA”) when: (1) the entity's project worksheet (“PW”) has been approved, and (2) the recipient has incurred the eligible expenditures.

**Condition.** During the year, approval was received for disaster relief funds from FEMA's Public Assistance program for four “large” projects and one “small” project. These funds were to provide assistance to the County for costs incurred during the 2015 flooding and its immediate aftermath, as well as subsequent repairs needed as a result of road and culvert washouts.

Audit testing revealed that expenditures included on the SEFA for labor and equipment usage related to three of the County's projects covered under the disaster grants were based on estimates.

**Context.** The County has maintained logs of hours worked on all projects, as well as equipment usage hours. However, the logs have not been fully summarized and extended to determine specific costs to be reimbursed.

**Questioned costs.** \$89,720

**Status.** As of September 30, 2017, all FEMA disaster projects were completed. Documentation of the labor and equipment usage hours have been summarized and extended to calculate total actual expenditures for each PW. This matter is considered resolved.

