

HOUSTON COUNTY, TEXAS

**AUDITED FINANCIAL STATEMENTS
AND COMPLIANCE REPORTS**

SEPTEMBER 30, 2013

INTRODUCTORY SECTION

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SEPTEMBER 30, 2013**

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**HOUSTON COUNTY, TEXAS
PRINCIPAL PUBLIC OFFICIALS
SEPTEMBER 30, 2013**

COMMISSIONERS' COURT

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

COUNTY ELECTED OFFICIALS

Morris LukerConstable Precinct No. 1
Kenneth Smith.....Constable Precinct No. 2
Daphne Session.....County Attorney
Bridget LambCounty 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 JordanJustice of the Peace, Precinct No. 2
Darrel Bobbitt..... Sheriff
Danette Millican..... Tax Assessor/Collector

DISTRICT ELECTED OFFICIALS

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

APPOINTED OFFICIALS

Odia McWhirter Building Maintenance Supervisor
Brandon SheeleyCommunity Supervision/Corrections Department
Melissa Mosley..... County Auditor
Jo SmithCounty Extension Agent – Agriculture
Mandy Patrick.....County Extension Agent – Family & Consumer Science
David Lamb..... Emergency Management Coordinator & Fire Marshal
Norman Moore.....Information Technology Director
Angela B. Cross Juvenile Probation Department
Fred Newtz.....Veteran Service Officer

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FINANCIAL SECTION

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Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

Melvin R. Todd, CPA
Daren Hamaker, CPA
Kim Johnson, CPA
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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Texas, as of September 30, 2013, and the respective changes in

INDEPENDENT AUDITORS' REPORT – CONTINUED

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

Change in Accounting Principle

As discussed in the notes to the financial statements, in 2013 the County adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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, and schedule of funding progress of pension plan on pages 11-17 and 57-71, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards, on pages 77-103 and 111-112, respectively, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on pages 107-108, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control

INDEPENDENT AUDITORS' REPORT – CONTINUED

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, 2014

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**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(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, 2013. 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 \$6,939,739 (net position) at September 30, 2013. Of this amount, \$1,772,119 may be used to meet the County's ongoing obligations to citizens and creditors.
- Total assets decreased by \$1,501,282 from the prior year; total liabilities decreased by \$657,571 from the prior year.
- Overall expenses exceeded revenues (or a decrease in net position) by \$680,959. Depreciation expense of \$1,110,897 is included in these expenses.

Fund financial statements

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$3,486,969. Overall expenses exceeded revenues by \$375,450.
- At September 30, 2013, unassigned fund balance for the General Fund was \$1,097,389, or 16% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)**

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. The County's assets exceeded its liabilities by \$6,939,739 at September 30, 2013.

The largest portion of the County's net position, or \$3,095,407, reflects its investment in capital assets (\$16,185,731) less the related debt used to acquire those assets that remains outstanding (\$13,090,324). The County uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position totaling \$2,072,213 represents resources that are subject to restriction on how they may be used.

The remaining balance of \$1,772,119 is unrestricted in nature.

**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)**

The County's Net Position

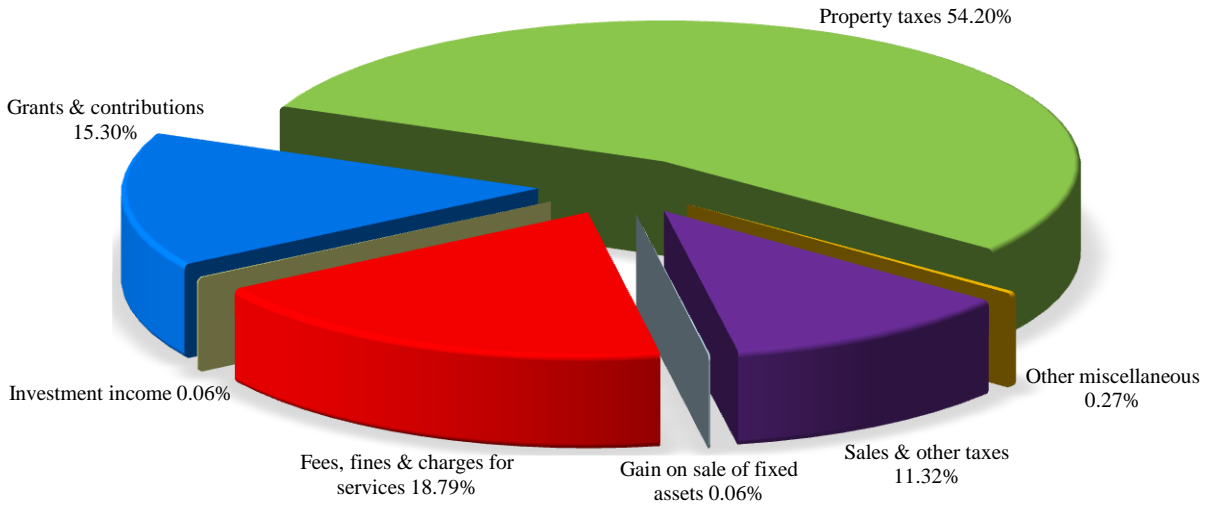
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 4,289,633	\$ 4,805,455
Capital assets, net	<u>16,185,731</u>	<u>17,171,191</u>
Total assets	<u>20,475,364</u>	<u>21,976,646</u>
Long-term liabilities	13,090,324	13,577,826
Other liabilities	<u>445,301</u>	<u>615,370</u>
Total liabilities	<u>13,535,625</u>	<u>14,193,196</u>
Net position:		
Invested in capital assets, net of related debt	3,095,407	3,593,365
Restricted	2,072,213	2,302,510
Unrestricted	<u>1,772,119</u>	<u>1,887,575</u>
Total net position	<u>\$ 6,939,739</u>	<u>\$ 7,783,450</u>

Change in Net Position

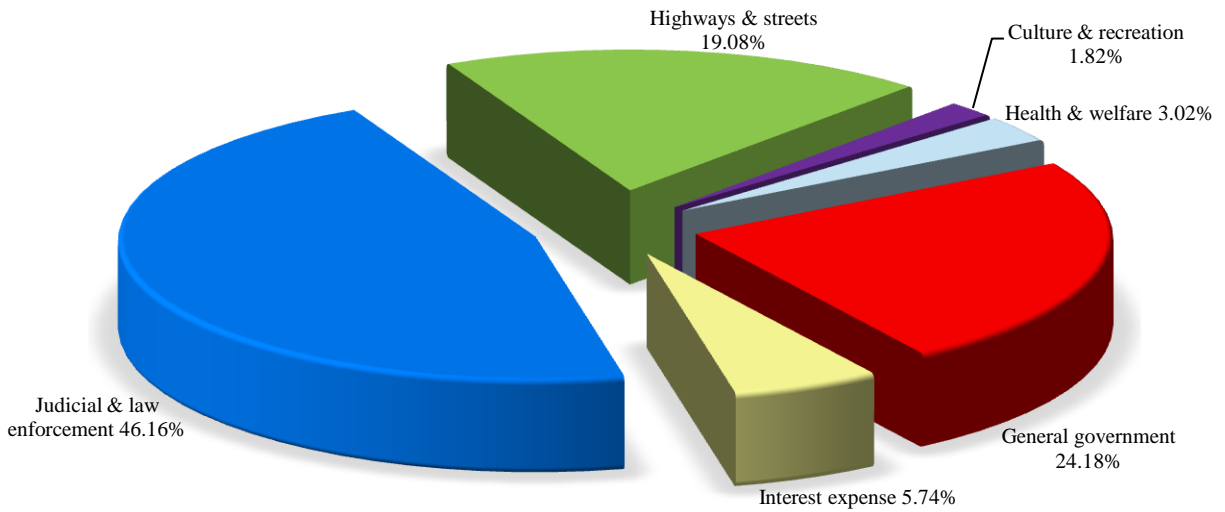
	<u>2013</u>	<u>2012</u>
Revenues		
Fees, fines, charges for services	\$ 1,928,079	\$ 2,049,761
Property taxes	5,530,036	4,840,747
Sales taxes	1,111,569	935,369
Other taxes	50,416	49,312
Investment income	5,824	44,565
Grants and contributions	1,570,197	2,598,304
Payment in lieu of taxes	30,965	35,356
Gain on sale of assets	6,401	60,577
Other miscellaneous	<u>27,525</u>	<u>78,343</u>
Total revenues	<u>10,261,012</u>	<u>10,692,334</u>
Expenses		
General government	2,563,188	2,403,409
Judicial and law enforcement	4,893,505	4,970,694
Highways and streets	2,022,627	2,358,730
Health and welfare	320,117	315,368
Culture and recreation	192,661	188,462
Pass-through expenditures	341,386	887,725
Interest on long-term debt	<u>608,487</u>	<u>664,842</u>
Total expenses	<u>10,941,971</u>	<u>11,789,230</u>
Increase (decrease) in net position	(680,959)	(1,096,896)
Prior period adjustment	(162,752)	(112,500)
Net position at beginning of year	<u>7,783,450</u>	<u>8,992,846</u>
Net position at end of year	<u>\$ 6,939,739</u>	<u>\$ 7,783,450</u>

**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)**

**Revenues by Source
For the Fiscal Year Ended September 30, 2013**



**Expenses by Function
For the Fiscal Year Ended September 30, 2013**



**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(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, 2013, the County's governmental funds reported a total fund balance of \$3,486,969. This fund balance is comprised of \$2,425,082 that is either in a nonspendable form, restricted or assigned for specific purpose. The remaining balance, \$1,061,887, is unassigned. During the year, the fund balance in the County's governmental funds decreased by \$375,450.

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 57 to 69.

General Fund. Actual revenues were higher than budgeted amounts by \$611,436. Actual expenditures were lower than budgeted amounts by \$374,894. Actual other financing sources (uses) were favorable to budgeted amounts by \$1,459. An overall decrease in fund balance of \$762,384 had been projected, using prior year budget carryovers to fund the decrease. Actual results were better than expected, resulting in an increase in fund balance of \$225,405 for the fiscal year.

Road and Bridge Funds. Actual revenues were lower than budgeted amounts by \$27,217. Actual expenditures were lower than budgeted amounts by \$280,153. Actual other financing sources (uses) were unfavorable to budgeted amounts by \$98,929. An overall decrease in fund balance of \$294,200 had been projected, using prior year budget carryovers to fund the decrease. The actual decrease in fund balance was \$170,193 (a favorable budget variance).

FEMA Grant Fund. Grant revenues and expenditures were lower than budgeted amounts by \$142,463.

CAPITAL ASSETS

The County's investment in capital assets as of September 30, 2013 totaled \$16,185,731 (net of accumulated depreciation).

Capital assets of \$125,436 were purchased during the year. Significant purchases included:

- Air conditioning unit for Adult Probation
- Dispatch equipment (funded by grants)
- Various trucks and heavy equipment (funded by capital leases/notes)

**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)**

Capital Assets (Net of Depreciation)

	2013	2012
Land	\$ 140,320	\$ 140,320
Construction in progress	64,064	46,500
Buildings and improvements	17,942,096	17,935,505
Infrastructure	67,652	67,651
Rolling stock	6,339,638	6,288,529
Furniture and equipment	1,540,150	1,525,150
Less: accumulated depreciation	(9,908,189)	(8,832,464)
Total	\$ 16,185,731	\$ 17,171,191

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$12,909,000.

Debt Outstanding

	Beginning Balance	Additions	Reductions	Ending Balance
Certificates of obligation	\$ 12,490,000	\$ -	\$ 360,000	\$ 12,130,000
Capital leases	1,087,826	24,176	333,002	779,000
Total	\$ 13,577,826	\$ 24,176	\$ 693,002	\$ 12,909,000

Also included in noncurrent liabilities in the statement of net position is \$181,324 of unamortized bond premium.

ECONOMIC FACTORS AND FUTURE FUNDING

Local property taxes provide the major source of funding for county governments in Texas. Property tax revenue is historically very stable and predictable. Even with the necessary tax rate increase of 4.9 cents to offset the loss of Federal funding, Houston County's adopted rate of 43.5 cents remains one of the lowest rates in our region and one of the lower rates statewide.

Despite difficult statewide economic times, Houston County continues to be mindful of our 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 revenue to the counties, 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 issues. The County Commissioners are working to maintain our road infrastructure with a budget that is 80% of its 2010 level. We are facing areas of infrastructure maintenance, such as county roads, which are under increased traffic and usage by oil and gas heavy equipment. We have, only recently, received grant funding through the TxDOT CERTZ program which provides a fractional amount necessary to the expense of the upkeep. We are always looking to protect and maintain the quality of life

**HOUSTON COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(UNAUDITED)**

for our citizens. We refurbished our Senior Citizens Center to provide better accommodations for our senior citizens. We have acquired a second van (used) for the Home Delivered Meal programs so that we can expedite delivery of meals to the homebound residents of Houston County. Incidentally, 169 citizens benefit from the meal program.

Significant repairs were made to the Courthouse roof and heating system in order to maintain daily operations. In 2014, the County regained a major employment industry through the reopening of the old Crockett State School, but continued infighting with our state government's Criminal Justice Committee has placed the school in jeopardy again. We are focused on establishing opportunities for employment of our citizens, as well as increase property values to better improve our County. With the volatility of fuel prices, increases in healthcare costs from the Affordable Health Care Act and other consumables, the Houston County Commissioners Court has worked with all of your elected officials to produce a 2014 budget that is as 'lean' as possible, 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, 2013

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 1,304,351	\$ 1,304,351
Receivables		
Property taxes, net of allowance for uncollectibles	459,608	459,608
Sales tax receivable	154,486	154,486
Grants	123,161	123,161
Other - miscellaneous	25,073	25,073
Prepays	27,186	27,186
Restricted assets		
Cash and cash equivalents	222,615	222,615
Certificates of deposit held as collateral by others	1,805,339	1,805,339
Property taxes, net of allowance for uncollectibles	35,613	35,613
Grant and other receivables	132,201	132,201
Capital assets		
Capital assets not being depreciated	204,384	204,384
Capital assets being depreciated	25,889,536	25,889,536
Accumulated depreciation	<u>(9,908,189)</u>	<u>(9,908,189)</u>
TOTAL ASSETS	<u>20,475,364</u>	<u>20,475,364</u>
LIABILITIES		
Accounts payable	208,056	208,056
Accrued interest	75,055	75,055
Restricted liabilities		
Grant and other payables	123,555	123,555
Accrued compensated absences	28,204	28,204
Unearned revenues	10,431	10,431
Noncurrent liabilities		
Due within one year	1,448,838	1,448,838
Due in more than one year	<u>11,641,486</u>	<u>11,641,486</u>
TOTAL LIABILITIES	<u>13,535,625</u>	<u>13,535,625</u>
NET POSITION		
Invested in capital assets, net of related debt	3,095,407	3,095,407
Restricted for		
Debt service	45,987	45,987
General government	1,945,860	1,945,860
Judicial and law enforcement	80,269	80,269
Highways and streets	97	97
Unrestricted	<u>1,772,119</u>	<u>1,772,119</u>
TOTAL NET POSITION	<u>\$ 6,939,739</u>	<u>\$ 6,939,739</u>

See accompanying notes to financial statements.

**HOUSTON COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 2,563,188
Judicial and law enforcement	4,893,505
Highways and streets	2,022,627
Health and welfare	320,117
Culture and recreation	192,661
Pass-through expenditures	341,386
Interest on long-term debt	608,487
Total governmental activities	\$ 10,941,971

Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 245,490	\$ 71,301	\$ -	\$ (2,246,397)
974,166	522,906	15,000	(3,381,433)
669,787	417,873	-	(934,967)
35,291	201,595	-	(83,231)
3,345	136	-	(189,180)
-	341,386	-	-
-	-	-	(608,487)
<u>\$ 1,928,079</u>	<u>\$ 1,555,197</u>	<u>\$ 15,000</u>	<u>(7,443,695)</u>

General revenues	
Property taxes	5,530,036
Sales taxes	1,111,569
Other taxes	50,416
Investment income	5,824
Payments in lieu of taxes	30,965
Gain on sale of assets	6,401
Miscellaneous income	<u>27,525</u>
Total general revenues	<u>6,762,736</u>
Change in net position	(680,959)
Net position - beginning	7,783,450
Prior period adjustment	<u>(162,752)</u>
Net position - ending	<u>\$ 6,939,739</u>

See accompanying notes to financial statements.

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FUND FINANCIAL STATEMENTS

**HOUSTON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
ASSETS			
Cash and cash equivalents	\$ 1,029,223	\$ 6,532	\$ -
Certificates of deposit	1,805,339	-	-
Receivables			
Property taxes	483,779	-	-
Sales taxes	154,486	-	-
Grants	55,170	-	-
Other - miscellaneous	13,763	421	7,554
Due from other funds	-	-	-
Prepaid items	24,503	-	-
TOTAL ASSETS	\$ 3,566,263	\$ 6,953	\$ 7,554
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ 16,068
Accounts payable	160,197	2,424	11,135
Due to other funds	22,837	-	-
Unearned revenues	-	-	-
Total liabilities	183,034	2,424	27,203
Deferred inflows of resources			
Unavailable revenue - property taxes	451,643	-	-
Total deferred inflows of resources	451,643	-	-
Fund balances			
Nonspendable	24,503	-	-
Restricted	1,809,694	-	-
Assigned	-	4,529	-
Unassigned	1,097,389	-	(19,649)
Total fund balances	2,931,586	4,529	(19,649)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,566,263	\$ 6,953	\$ 7,554

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	FEMA Grants	Nonmajor Governmental Funds	Total Governmental Funds
\$ 12,576	\$ 66,486	\$ -	\$ 487,647	\$ 1,602,464
-	-	-	-	1,805,339
-	-	-	37,487	521,266
-	-	-	-	154,486
-	-	121,302	78,230	254,702
642	598	-	2,755	25,733
-	-	2,512	20,325	22,837
-	-	-	2,683	27,186
<u>\$ 13,218</u>	<u>\$ 67,084</u>	<u>\$ 123,814</u>	<u>\$ 629,127</u>	<u>\$ 4,414,013</u>
\$ -	\$ -	\$ 2,512	\$ 56,918	\$ 75,498
12,294	9,469	121,302	14,790	331,611
-	-	-	-	22,837
-	-	-	10,431	10,431
<u>12,294</u>	<u>9,469</u>	<u>123,814</u>	<u>82,139</u>	<u>440,377</u>
-	-	-	35,024	486,667
-	-	-	35,024	486,667
-	-	-	2,683	27,186
-	-	-	229,369	2,039,063
924	57,615	-	295,765	358,833
-	-	-	(15,853)	1,061,887
<u>924</u>	<u>57,615</u>	<u>-</u>	<u>511,964</u>	<u>3,486,969</u>
<u>\$ 13,218</u>	<u>\$ 67,084</u>	<u>\$ 123,814</u>	<u>\$ 629,127</u>	<u>\$ 4,414,013</u>

See accompanying notes to 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, 2013

Total fund balances - governmental funds balance sheet	\$ 3,486,969
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	16,185,731
Certain revenues are not available to pay current period expenditures and therefore, are reported as deferred inflows in the governmental funds.	460,622
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.	(103,259)
Payables for long-term liabilities, including certificates of obligations and capital leases, are not due in the current period and therefore, are not reported in the governmental funds.	<u>(13,090,324)</u>
Net position of governmental activities	<u>\$ 6,939,739</u>

See accompanying notes to financial statements.

HOUSTON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
REVENUES			
Property taxes	\$ 4,985,305	\$ -	\$ -
General sales and use taxes	1,111,569	-	-
Selective sales and use taxes	7,773	-	-
Fees, licenses, and permits	286,498	100,229	131,881
Charges for services	681,914	-	-
Fines and forfeitures	101,691	-	-
Intergovernmental revenue and grants	241,760	6,535	8,598
Contributions and donations from private sources	9,048	3,886	30,928
Payments in lieu of taxes	30,965	-	-
Investment earnings	4,742	12	60
Other revenue	23,197	-	-
Total revenues	7,484,462	110,662	171,467
EXPENDITURES			
General government	2,309,757	-	-
Judicial and law enforcement	3,882,984	-	-
Highways and streets	-	265,432	436,055
Health and welfare	-	-	-
Culture and recreation	140,615	-	-
Pass-through expenditures	-	-	-
Capital outlay	94,669	-	-
Debt service			
Principal	31,925	61,625	83,288
Interest	351	1,978	3,906
Total expenditures	6,460,301	329,035	523,249
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	1,024,161	(218,373)	(351,782)
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	425,144	208,649	274,538
Transfers out	(1,223,900)	-	-
Net other financing sources (uses)	(798,756)	208,649	274,538
NET CHANGE IN FUND BALANCE	225,405	(9,724)	(77,244)
FUND BALANCE - BEGINNING OF YEAR	2,706,181	14,253	57,595
FUND BALANCE - END OF YEAR	\$ 2,931,586	\$ 4,529	\$ (19,649)

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	FEMA Grant	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 516,743	\$ 5,502,048
-	-	-	-	1,111,569
-	-	-	42,643	50,416
152,981	142,431	-	164,052	978,072
-	-	-	34,151	716,065
-	-	-	132,255	233,946
9,974	9,286	7,537	1,216,280	1,499,970
13,280	4,138	-	8,945	70,225
-	-	-	-	30,965
41	111	-	854	5,820
218	29	-	4,081	27,525
<u>176,494</u>	<u>155,995</u>	<u>7,537</u>	<u>2,120,004</u>	<u>10,226,621</u>
-	-	-	181,195	2,490,952
-	-	-	380,622	4,263,606
487,845	391,876	-	58,644	1,639,852
-	-	7,537	309,723	317,260
-	-	-	708	141,323
-	-	-	341,386	341,386
24,176	-	-	6,591	125,436
54,127	96,059	-	365,978	693,002
2,351	3,022	-	608,223	619,831
<u>568,499</u>	<u>490,957</u>	<u>7,537</u>	<u>2,253,070</u>	<u>10,632,648</u>
<u>(392,005)</u>	<u>(334,962)</u>	<u>-</u>	<u>(133,066)</u>	<u>(406,027)</u>
-	4,601	-	1,800	6,401
24,176	-	-	-	24,176
318,464	296,501	-	410,772	1,934,068
-	-	-	(710,168)	(1,934,068)
<u>342,640</u>	<u>301,102</u>	<u>-</u>	<u>(297,596)</u>	<u>30,577</u>
(49,365)	(33,860)	-	(430,662)	(375,450)
50,289	91,475	-	942,626	3,862,419
<u>\$ 924</u>	<u>\$ 57,615</u>	<u>\$ -</u>	<u>\$ 511,964</u>	<u>\$ 3,486,969</u>

See accompanying notes to 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, 2013

Net change in fund balance - governmental funds	\$ (375,450)
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.	125,436
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.	(1,110,897)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	27,989
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.	693,002
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.	(24,176)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	(28,204)
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	<u>11,341</u>
Change in net position of governmental activities	<u>\$ (680,959)</u>

See accompanying notes to financial statements.

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HOUSTON COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,366,089
TOTAL ASSETS	<u>\$ 1,366,089</u>
LIABILITIES	
Amounts held for others	\$ 1,048,259
Due to other units	<u>317,830</u>
TOTAL LIABILITIES	<u>\$ 1,366,089</u>

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

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HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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.

Implementation of New Standards

In the current fiscal year, the County implemented the following new standards:

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

GASB Statement 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* (“GASB 61”), which modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interest in legally separate organizations. Implementation of GASB 61 did not have an impact on the County’s financial disclosures.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (“GASB 62”), which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board Opinions; 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. Implementation of GASB 62 is reflected in the financial statements.

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”), amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of the resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as “net position” rather than “net assets”. Implementation of GASB 63 is reflected in the financial statements.

GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 64* (“GASB 64”), clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider and establishes when the effective hedging relationship continues and therefore should continue to be applied. Implementation of GASB 64 did not have an impact on the County’s financial disclosures.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of implementing GASB 65, the financial statements reflect a restatement and reduction of the government-wide net position in the amount of \$162,752 for bond issuance costs paid in prior periods.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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.

The general fund and the FEMA grant fund are reported as major governmental funds. The County has elected to present the Road and Bridge Funds for Precincts 1, 2, 3, and 4 as major funds due to their significance within the County.

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

Assets, Liabilities, and Net Position or Fund Balance

Deposits and Investments

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013.

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 the following instruments, as authorized by the Public Funds Investment Act: 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 (investment in such pools shall be limited to 15% of the County's entire portfolio and the pool must be continuously rated no lower than "AAA" or "AAA-m" by at least one nationally recognized rating service).

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

Fair Value of Financial Instruments

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

Receivables

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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. No capital expenditures for roads or bridges were made during the year.

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

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item of this type, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes is reported only on the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Compensated Absences

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

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

Long-term Obligations

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

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

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

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, 2013, restricted net position represents monies that are legally restricted for payment of debt service, law enforcement costs, or grant costs. 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.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

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

Unassigned – all other spendable amounts.

Estimates

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Process

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

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.

Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At September 30, 2013, the road and bridge precinct no. 2 fund had a deficit balance.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013, the County's cash deposits with depository banks totaled \$4,917,457. Included in the balances are certificates of deposit totaling \$1,805,340 and agency funds in the amount of \$1,382,130. All deposits were fully collateralized by securities pledged by the depository banks with total collateral value of \$7,178,592, 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	\$ 483,779	\$ 154,486	\$ 55,170	\$ 13,763	\$ 707,198
Road and bridge	-	-	-	9,215	9,215
FEMA fund	-	-	-	121,302	121,302
Nonmajor funds	<u>37,487</u>	<u>-</u>	<u>78,230</u>	<u>2,755</u>	<u>118,472</u>
Total receivables, gross	<u>521,266</u>	<u>154,486</u>	<u>133,400</u>	<u>147,305</u>	<u>956,187</u>
Allowance for for uncollectibles	<u>(26,045)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,045)</u>
Total receivables, net	<u>\$ 495,221</u>	<u>\$ 154,486</u>	<u>\$ 133,400</u>	<u>\$ 147,305</u>	<u>\$ 930,142</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, 2013, was \$.419 per \$100 of assessed valuation. Of this rate, \$.040 was allocated to debt service and \$.376 was allocated to maintenance and operation.

Of the \$521,266 in property taxes receivable, \$369,681 represents the outstanding balances of assessments for tax years 2011 and prior.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Capital Assets

A summary of changes in capital assets for the year ended September 30, 2013, is as follows:

	<u>Balance</u> <u>09/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2013</u>
Capital assets, not being depreciated				
Land	\$ 140,320	\$ -	\$ -	\$ 140,320
Construction in progress	<u>46,500</u>	<u>17,564</u>	<u>-</u>	<u>64,064</u>
Total not being depreciated	<u>186,820</u>	<u>17,564</u>	<u>-</u>	<u>204,384</u>
Capital assets, being depreciated				
Buildings and improvements	17,935,505	6,591	-	17,942,046
Infrastructure	67,652	-	-	67,652
Rolling stock	6,288,529	86,281	(35,172)	6,339,638
Furniture and equipment	<u>1,525,150</u>	<u>15,000</u>	<u>-</u>	<u>1,540,150</u>
Total being depreciated	<u>25,816,836</u>	<u>107,872</u>	<u>(35,172)</u>	<u>25,889,536</u>
Less accumulated depreciation:				
Buildings and improvements	(3,604,029)	(533,021)	-	(4,157,050)
Infrastructure	(3,247)	(3,383)	-	(6,630)
Rolling stock	(4,106,743)	(463,432)	35,172	(4,535,003)
Furniture and equipment	<u>(1,118,445)</u>	<u>(91,061)</u>	<u>-</u>	<u>(1,209,506)</u>
Total accumulated depreciation	<u>(8,832,464)</u>	<u>(1,110,897)</u>	<u>35,172</u>	<u>(9,908,189)</u>
Total being depreciated, net	<u>16,984,372</u>	<u>(1,003,025)</u>	<u>-</u>	<u>15,981,347</u>
Total capital assets, net	<u>\$ 17,171,192</u>	<u>\$ (985,461)</u>	<u>\$ -</u>	<u>\$ 16,185,731</u>
				<u>Less associated debt (13,090,324)</u>
				<u>Invested in capital assets, net of related debt \$ 3,095,407</u>

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

General government	\$ 63,968
Judicial and law enforcement	602,340
Highways and streets	377,857
Health and welfare	15,393
Culture and recreation	<u>51,339</u>
Total	<u>\$ 1,110,897</u>

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 2.14% to 5.05% 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.

The assets acquired through capital leases are as follows:

	<u>Road and Bridge Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Asset:			
Rolling stock	\$ 2,011,855	\$ 17,935	\$ 2,029,790
Less accumulated depreciation	<u>(955,426)</u>	<u>(3,288)</u>	<u>(958,714)</u>
Total	<u>\$ 1,056,429</u>	<u>\$ 14,647</u>	<u>\$ 1,071,076</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, were as follows:

<u>Year ending September 30,</u>	<u>Road and Bridge Funds</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
2014	\$ 394,591	\$ 6,367	\$ 400,958
2015	207,143	6,173	213,316
2016	112,652	-	112,652
2017	72,006	-	72,006
2018	12,820	-	12,820
2019 - 2023	<u>12,678</u>	<u>-</u>	<u>12,678</u>
Total minimum lease payments	\$ 811,890	\$ 12,540	\$ 824,430
Less amount representing interest	<u>(44,847)</u>	<u>(583)</u>	<u>(45,430)</u>
Present value of minimum lease payments	<u>\$ 767,043</u>	<u>\$ 11,957</u>	<u>\$ 779,000</u>

Long-term Liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	<u>Balance 09/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/13</u>	<u>Due Within One Year</u>
2008 Certificates	\$ 12,490,000	\$ -	\$ (360,000)	\$ 12,130,000	\$ 375,000
Capital leases	<u>1,087,826</u>	<u>24,176</u>	<u>(333,002)</u>	<u>779,000</u>	<u>380,836</u>
	\$ 13,577,826	\$ 24,176	\$ (693,002)	\$ 12,909,000	\$ 755,836
Unamortized premium	<u>190,867</u>	<u>-</u>	<u>(9,543)</u>	<u>181,324</u>	<u>-</u>
Total Long- term Liabilities	<u>\$ 13,768,693</u>	<u>\$ 24,176</u>	<u>\$ (702,545)</u>	<u>\$ 13,090,324</u>	<u>\$ 755,836</u>

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

Year Ending September 30,	Certificates of Obligation		Capital Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 375,000	\$ 592,470	\$ 380,836	\$ 20,122	\$ 755,836	\$ 612,592
2015	390,000	576,214	200,259	13,057	590,259	589,271
2016	405,000	559,320	104,731	7,921	509,731	567,741
2017	425,000	542,214	68,104	3,902	493,104	546,116
2018	445,000	524,258	12,535	285	457,535	524,543
2019-2023	2,555,000	2,280,051	12,535	143	2,567,535	2,280,194
2024-2028	3,280,000	1,552,672	-	-	3,280,000	1,552,672
2029-2033	4,255,000	581,569	-	-	4,255,000	581,569
Totals	<u>\$12,130,000</u>	<u>\$ 7,208,767</u>	<u>\$ 779,000</u>	<u>\$ 45,430</u>	<u>\$12,909,000</u>	<u>\$ 7,254,698</u>

At year end, the County had \$978 available in the debt service fund to service long-term debt.

Bonds and other debt payable at September 30, 2013, are comprised of the following:

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

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

Capital leases. The County has entered into various lease purchase agreements for the purpose of purchasing equipment. During the year, the County paid-off two existing leases and incurred two new leases. The agreements accrue interest at rates from 1.00% to 3.25% and are all for durations greater than one year. Each lease purchase is collateralized by the equipment that each respective agreement serves to finance as well as certificates of deposit totaling \$1,805,339 held at the County's financial institution.

Bond Compliance Requirements

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

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Interfund Receivables, Payables, and Transfers

The following 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.

At September 30, 2013, these internal balances consisted of the following:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ -	\$ (22,837)
FEMA Grant	2,512	-
Nonmajor	<u>20,325</u>	<u>-</u>
Totals	<u>\$ 22,837</u>	<u>\$ (22,837)</u>

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, 2013:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General	\$ 1,223,900	\$ (452,144)
Road and Bridge Precinct No. 1	-	(208,649)
Road and Bridge Precinct No. 2	-	(274,538)
Road and Bridge Precinct No. 3	-	(318,464)
Road and Bridge Precinct No. 4	-	(296,501)
Nonmajor	<u>710,168</u>	<u>(383,773)</u>
Totals	<u>\$ 1,934,068</u>	<u>\$ (1,934,068)</u>

OTHER INFORMATION

Pension Plan

The County provides pension benefits for all of its full-time employees through a non-traditional defined benefit plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Funding Policy. Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate, as explained below. The contribution rate was 6.45% for the months in calendar year 2012 and 6.60% for the months in calendar year 2013.

Annual Pension Cost. For 2013, the County's annual pension cost of \$271,199 for TCDRS was equal to the County's required contributions.

Three-Year Trend Information

<u>Accounting Year Ending</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/11	\$242,587	100%	-
09/30/12	\$260,704	100%	-
09/30/13	\$271,199	100%	-

The required contribution was determined as part of the December 31, 2012, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012, included (a) 8.0% percent investment rate of return (net of investment expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2012, was 20 years. This actuarial information is summarized below.

Contribution information

	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period in Years	20.0 years	20.0 years	20.0 years
Asset Valuation Method:			
Subdivision Accumulation Fund	10-year Smoothed Value	10-year Smoothed Value	10-year Smoothed Value
Employee Saving Fund	Fund Value	Fund Value	Fund Value

Actuarial assumptions

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

(1) Includes inflation at the stated rate.

HOUSTON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Funded Status and Funding Progress. As of December 31, 2012, the most recent actuarial valuation date, the plan was 88.54% funded. The actuarial accrued liability for benefits was \$8,636,834, and the actuarial value of assets was \$7,647,045, resulting in an unfunded actuarial accrued liability (UAAL) of \$989,789. The covered payroll (annual payroll of active employees covered by the plan) was \$4,092,689, and the ratio of the UAAL to the covered payroll was 24.18%.

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

Risk Management

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

Contingent Liabilities

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

Prior Period Adjustment

Prior period adjustments have been made to the government-wide financial statements to reflect the following changes made to net position:

Adjustments	Increase (Decrease)
Bond issuance costs (implementation of GASB 65)	\$ <u>(162,752)</u>

This adjustment had no effect on individual fund balances.

Subsequent Events

Management has evaluated subsequent events through June 27, 2014, the date when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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HOUSTON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ 4,874,889	\$ 4,874,889	\$ 4,985,305	\$ 110,416
General sales and use taxes	685,000	685,000	1,111,569	426,569
Selective sales and use taxes	6,500	6,500	7,773	1,273
Fees, licenses, and permits	269,300	269,404	286,498	17,094
Charges for services	595,143	645,143	681,914	36,771
Fines and forfeitures	80,448	80,448	101,691	21,243
Intergovernmental revenue and grants	224,931	236,242	241,760	5,518
Contributions and donations from private sources	1,000	1,000	9,048	8,048
Payments in lieu of taxes	33,000	33,000	30,965	(2,035)
Investment earnings	35,400	35,400	4,742	(30,658)
Other revenue	6,000	6,000	23,197	17,197
Total revenues	<u>6,811,611</u>	<u>6,873,026</u>	<u>7,484,462</u>	<u>611,436</u>
EXPENDITURES				
General government				
County judge	\$ 124,842	\$ 125,893	\$ 107,139	18,754
County commissioners	240,630	240,630	240,527	103
County clerk	120,101	121,082	121,949	(867)
Information technology	57,823	57,803	57,221	582
Non-departmental	613,651	492,501	468,365	24,136
District clerk	166,926	167,645	167,078	567
County juvenile board	17,255	17,255	17,239	16
Elections	40,000	40,000	25,121	14,879
County auditor	147,784	147,784	145,733	2,051
County treasurer	125,287	125,287	116,582	8,705
County tax assessor-collector	333,670	341,945	320,384	21,561
Courthouse	156,083	156,616	141,141	15,475
Insurance	124,600	124,600	86,999	37,601
Utilities	187,000	237,000	216,458	20,542
Equipment & supplies	25,000	16,200	10,947	5,253
Community service restitution	63,970	69,970	55,397	14,573
Law library	10,525	10,525	9,495	1,030
12th ct of appeals	1,500	1,604	-	1,604
Unclaimed funds	6,119	6,119	1,982	4,137
Total general government	<u>2,562,766</u>	<u>2,500,459</u>	<u>2,309,757</u>	<u>190,702</u>
Judicial and law enforcement				
County court at law	\$ 259,626	\$ 260,860	\$ 260,200	660
District court	85,728	85,978	82,649	3,329
Justice of the peace, Pct No. 1	106,397	106,397	105,828	569
Justice of the peace, Pct No. 2	106,753	106,753	106,462	291
County attorney	396,420	396,420	395,213	1,207
District attorney	117,373	117,373	117,032	341
County constable, Pct No. 1	19,387	20,525	19,940	585
County constable, Pct No. 2	32,906	33,545	26,142	7,403
Sheriff	1,251,975	1,301,023	1,275,454	25,569
Jail	1,054,534	1,095,573	1,018,515	77,058
Department of public safety	12,034	12,434	11,994	440

HOUSTON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
Judicial and law enforcement (continued)				
Civil court cases	23,050	63,995	64,209	(214)
County court - indigent defense	58,550	77,830	77,931	(101)
County court - prosecution	14,375	6,075	3,511	2,564
District court - indigent defense	172,400	157,775	148,127	9,648
District court - prosecution	58,200	53,900	45,815	8,085
Justice courts prosecution	1,120	1,120	502	618
Juvenile court - indigent defense	30,900	15,900	18,540	(2,640)
Courthouse security	72,262	72,262	70,814	1,448
Bail bond board	3,195	3,195	1,150	2,045
District attorney salary supplement	32,936	32,936	32,956	(20)
Total judicial and law enforcement	3,910,121	4,021,869	3,882,984	138,885
Culture and recreation				
Airport	\$ 42,835	\$ 42,835	\$ 26,647	16,188
County extension service	84,238	84,238	77,917	6,321
Historical commission	20,635	20,635	4,522	16,113
Texas parks and wildlife	570	1,030	564	466
Veteran services officer	30,774	31,616	30,965	651
Total culture and recreation	179,052	180,354	140,615	39,739
Capital outlay				
Community service restitution	-	-	6,033	(6,033)
Sheriff	62,000	62,672	71,072	(8,400)
Airport	-	37,564	17,564	20,000
Total capital outlay	62,000	100,236	94,669	5,567
Debt service				
Principal	31,925	31,925	31,925	-
Interest	351	352	351	1
Total expenditures	6,746,215	6,835,195	6,460,301	374,894
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	65,396	37,831	1,024,161	986,330
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	3,000	3,000	-	(3,000)
Proceeds from notes/capital leases	-	-	-	-
Transfers in	383,121	420,685	425,144	4,459
Transfers out	(1,213,900)	(1,223,900)	(1,223,900)	-
Net other financing sources (uses)	(827,779)	(800,215)	(798,756)	1,459
NET CHANGE IN FUND BALANCE	(762,383)	(762,384)	225,405	987,789
FUND BALANCE - BEGINNING OF YEAR	2,706,181	2,706,181	2,706,181	-
FUND BALANCE - END OF YEAR	\$ 1,943,798	\$ 1,943,797	\$ 2,931,586	\$ 987,789

See accompanying notes to required supplementary information.

HOUSTON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 1
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	112,000	112,000	100,229	(11,771)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	6,600	6,600	6,535	(65)
Contributions and donations from private sources	-	-	3,886	3,886
Payments in lieu of taxes	-	-	-	-
Investment earnings	150	150	12	(138)
Other revenue	-	-	-	-
Total revenues	<u>118,750</u>	<u>118,750</u>	<u>110,662</u>	<u>(8,088)</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	323,489	323,489	265,432	58,057
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	61,625	61,625	61,625	-
Interest	5,549	5,549	1,978	3,571
Total expenditures	<u>390,663</u>	<u>390,663</u>	<u>329,035</u>	<u>61,628</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(271,913)</u>	<u>(271,913)</u>	<u>(218,373)</u>	<u>53,540</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	232,913	232,913	208,649	(24,264)
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>232,913</u>	<u>232,913</u>	<u>208,649</u>	<u>(24,264)</u>
NET CHANGE IN FUND BALANCE	(39,000)	(39,000)	(9,724)	29,276
FUND BALANCE - BEGINNING OF YEAR	<u>14,253</u>	<u>14,253</u>	<u>14,253</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (24,747)</u>	<u>\$ (24,747)</u>	<u>\$ 4,529</u>	<u>\$ 29,276</u>

See accompanying notes to required supplementary information.

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HOUSTON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 2
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	146,000	146,000	131,881	(14,119)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	8,600	8,600	8,598	(2)
Contributions and donations from private sources	-	30,880	30,928	48
Payments in lieu of taxes	-	-	-	-
Investment earnings	500	500	60	(440)
Other revenue	-	-	-	-
Total revenues	<u>155,100</u>	<u>185,980</u>	<u>171,467</u>	<u>(14,513)</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	490,946	521,826	436,055	85,771
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	83,288	83,288	83,288	-
Interest	7,730	7,730	3,906	3,824
Total expenditures	<u>581,964</u>	<u>612,844</u>	<u>523,249</u>	<u>89,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(426,864)</u>	<u>(426,864)</u>	<u>(351,782)</u>	<u>75,082</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	306,464	306,464	274,538	(31,926)
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>306,464</u>	<u>306,464</u>	<u>274,538</u>	<u>(31,926)</u>
NET CHANGE IN FUND BALANCE	(120,400)	(120,400)	(77,244)	43,156
FUND BALANCE - BEGINNING OF YEAR	<u>57,595</u>	<u>57,595</u>	<u>57,595</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (62,805)</u>	<u>\$ (62,805)</u>	<u>\$ (19,649)</u>	<u>\$ 43,156</u>

See accompanying notes to required supplementary information.

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HOUSTON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 3
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	153,000	153,000	152,981	(19)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	10,050	10,050	9,974	(76)
Contributions and donations from private sources	13,280	13,280	13,280	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	300	300	41	(259)
Other revenue	-	-	218	218
Total revenues	<u>176,630</u>	<u>176,630</u>	<u>176,494</u>	<u>(136)</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	532,081	562,081	487,845	74,236
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	24,176	(24,176)
Debt service				
Principal	54,127	54,127	54,127	-
Interest	5,921	5,921	2,351	3,570
Total expenditures	<u>592,129</u>	<u>622,129</u>	<u>568,499</u>	<u>53,630</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(415,499)</u>	<u>(445,499)</u>	<u>(392,005)</u>	<u>53,494</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	24,176	24,176
Transfers in	355,499	355,499	318,464	(37,035)
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>355,499</u>	<u>355,499</u>	<u>342,640</u>	<u>(12,859)</u>
NET CHANGE IN FUND BALANCE	(60,000)	(90,000)	(49,365)	40,635
FUND BALANCE - BEGINNING OF YEAR	<u>50,289</u>	<u>50,289</u>	<u>50,289</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (9,711)</u>	<u>\$ (39,711)</u>	<u>\$ 924</u>	<u>\$ 40,635</u>

See accompanying notes to required supplementary information.

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HOUSTON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 4
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	150,750	150,750	142,431	(8,319)
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	9,375	9,375	9,286	(89)
Contributions and donations from private sources	-	-	4,138	4,138
Payments in lieu of taxes	-	-	-	-
Investment earnings	350	350	111	(239)
Other revenue	-	-	29	29
Total revenues	<u>160,475</u>	<u>160,475</u>	<u>155,995</u>	<u>(4,480)</u>
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	463,095	463,095	391,876	71,219
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	96,059	96,059	96,059	-
Interest	7,103	7,103	3,022	4,081
Total expenditures	<u>566,257</u>	<u>566,257</u>	<u>490,957</u>	<u>75,300</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(405,782)</u>	<u>(405,782)</u>	<u>(334,962)</u>	<u>70,820</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	4,601	4,601
Proceeds from notes/capital leases	-	-	-	-
Transfers in	330,982	330,982	296,501	(34,481)
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>330,982</u>	<u>330,982</u>	<u>301,102</u>	<u>(29,880)</u>
NET CHANGE IN FUND BALANCE	<u>(74,800)</u>	<u>(74,800)</u>	<u>(33,860)</u>	<u>40,940</u>
FUND BALANCE - BEGINNING OF YEAR	<u>91,475</u>	<u>91,475</u>	<u>91,475</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 16,675</u>	<u>\$ 16,675</u>	<u>\$ 57,615</u>	<u>\$ 40,940</u>

See accompanying notes to required supplementary information.

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HOUSTON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FEMA GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final	Fund Basis	Fav (Unfav) Final to Actual
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
General sales and use taxes	-	-	-	-
Selective sales and use taxes	-	-	-	-
Fees, licenses, and permits	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental revenue and grants	150,000	150,000	7,537	(142,463)
Contributions and donations from private sources	-	-	-	-
Payments in lieu of taxes	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	150,000	150,000	7,537	(142,463)
EXPENDITURES				
General government	-	-	-	-
Judicial and law enforcement	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	150,000	150,000	7,537	142,463
Culture and recreation	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	150,000	150,000	7,537	142,463
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE				
	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR				
	-	-	-	-
FUND BALANCE - END OF YEAR				
	\$ -	\$ -	\$ -	\$ -

See accompanying notes to required supplementary information.

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HOUSTON COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2013

BUDGETS AND BUDGETARY PROCESS

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

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

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HOUSTON COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS OF PENSION PLAN -
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

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

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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, 2013**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 978	\$ 486,669	\$ 487,647
Receivables			
Property taxes	37,487	-	37,487
Grants	-	78,230	78,230
Other - miscellaneous	-	2,755	2,755
Due from other funds	9,396	10,929	20,325
Prepaid items	-	2,683	2,683
TOTAL ASSETS	<u>\$ 47,861</u>	<u>\$ 581,266</u>	<u>\$ 629,127</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ 56,918	\$ 56,918
Accounts payable	-	14,790	14,790
Due to other funds	-	-	-
Unearned revenues	-	10,431	10,431
Total liabilities	<u>-</u>	<u>82,139</u>	<u>82,139</u>
 Deferred inflows of resources			
Unavailable revenue - property taxes	35,024	-	35,024
Total deferred inflows of resources	<u>35,024</u>	<u>-</u>	<u>35,024</u>
 Fund balances			
Nonspendable	-	2,683	2,683
Restricted	12,837	216,532	229,369
Assigned	-	295,765	295,765
Unassigned	-	(15,853)	(15,853)
Total fund balances	<u>12,837</u>	<u>499,127</u>	<u>511,964</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 47,861</u>	<u>\$ 581,266</u>	<u>\$ 629,127</u>

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HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 516,743	\$ -	\$ 516,743
Selective sales and use taxes	-	42,643	42,643
Fees, licenses, and permits	-	164,052	164,052
Charges for services	-	34,151	34,151
Fines and forfeitures	-	132,255	132,255
Intergovernmental revenue and grants	-	1,216,280	1,216,280
Contributions and donations from private sources	-	8,945	8,945
Investment earnings	161	693	854
Other revenue	-	4,081	4,081
Total revenues	<u>516,904</u>	<u>1,603,100</u>	<u>2,120,004</u>
EXPENDITURES			
General government	-	181,195	181,195
Judicial and law enforcement	-	380,622	380,622
Highways and streets	-	58,644	58,644
Health and welfare	-	309,723	309,723
Culture and recreation	-	708	708
Pass-through expenditures	-	341,386	341,386
Capital outlay	-	6,591	6,591
Debt service			
Principal	360,000	5,978	365,978
Interest	<u>607,639</u>	<u>584</u>	<u>608,223</u>
Total expenditures	<u>967,639</u>	<u>1,285,431</u>	<u>2,253,070</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>(450,735)</u>	<u>317,669</u>	<u>(133,066)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of real and personal property	-	1,800	1,800
Proceeds from capital leases	-	-	-
Transfers in	286,964	123,808	410,772
Transfers out	<u>-</u>	<u>(710,168)</u>	<u>(710,168)</u>
Net other financing sources (uses)	<u>286,964</u>	<u>(584,560)</u>	<u>(297,596)</u>
NET CHANGE IN FUND BALANCE	(163,771)	(266,891)	(430,662)
FUND BALANCE - BEGINNING OF YEAR	<u>176,608</u>	<u>766,018</u>	<u>942,626</u>
FUND BALANCE - END OF YEAR	<u>\$ 12,837</u>	<u>\$ 499,127</u>	<u>\$ 511,964</u>

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013**

	<u>Hotel Occupancy Tax</u>	<u>Community Development</u>	<u>Justice Court Security</u>
ASSETS			
Cash and cash equivalents	\$ 135,506	\$ -	\$ 7,728
Receivables			
Grants	-	-	-
Other - miscellaneous	660	-	-
Due from other funds	-	-	98
Prepaid items	-	-	-
TOTAL ASSETS	<u>\$ 136,166</u>	<u>\$ -</u>	<u>\$ 7,826</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	136,166	-	-
Assigned	-	-	7,826
Unassigned	-	-	-
Total fund balances	<u>136,166</u>	<u>-</u>	<u>7,826</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 136,166</u>	<u>\$ -</u>	<u>\$ 7,826</u>

<u>Justice Court Technology</u>	<u>County & District Court Technology</u>	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>	<u>Road & Bridge Fines</u>
\$ 36,675	\$ 2,369	\$ 5,201	\$ 409	\$ 20,662	\$ 15,123
-	-	-	-	-	-
-	-	-	-	2,095	-
394	56	135	-	-	5,375
-	-	-	-	-	-
<u>\$ 37,069</u>	<u>\$ 2,425</u>	<u>\$ 5,336</u>	<u>\$ 409</u>	<u>\$ 22,757</u>	<u>\$ 20,498</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
37,069	2,425	5,336	409	22,757	20,498
-	-	-	-	-	-
<u>37,069</u>	<u>2,425</u>	<u>5,336</u>	<u>409</u>	<u>22,757</u>	<u>20,498</u>
<u>\$ 37,069</u>	<u>\$ 2,425</u>	<u>\$ 5,336</u>	<u>\$ 409</u>	<u>\$ 22,757</u>	<u>\$ 20,498</u>

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013**

	<u>Timber Fund</u>	<u>Records Management & Preservation</u>	<u>Co Clerk Records Preservation</u>
ASSETS			
Cash and cash equivalents	\$ 97	\$ -	\$ -
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	-	542	2,298
Prepaid items	-	-	-
TOTAL ASSETS	<u>\$ 97</u>	<u>\$ 542</u>	<u>\$ 2,298</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ 2,180
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>2,180</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	97	-	-
Assigned	-	542	118
Unassigned	-	-	-
Total fund balances	<u>97</u>	<u>542</u>	<u>118</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 97</u>	<u>\$ 542</u>	<u>\$ 2,298</u>

<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>	<u>District Clerk Archives</u>	<u>Co Attorney Pre-trial Intervention</u>	<u>Hot Check Fees</u>
\$ 345	\$ 3,121	\$ 46,546	\$ 4,208	\$ 23,744	\$ 65,230
-	-	-	-	-	-
-	-	-	-	-	-
130	98	1,673	130	-	-
-	-	-	-	-	-
<u>\$ 475</u>	<u>\$ 3,219</u>	<u>\$ 48,219</u>	<u>\$ 4,338</u>	<u>\$ 23,744</u>	<u>\$ 65,230</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	2,051	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>2,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
475	1,168	48,219	4,338	23,744	65,230
-	-	-	-	-	-
<u>475</u>	<u>1,168</u>	<u>48,219</u>	<u>4,338</u>	<u>23,744</u>	<u>65,230</u>
<u>\$ 475</u>	<u>\$ 3,219</u>	<u>\$ 48,219</u>	<u>\$ 4,338</u>	<u>\$ 23,744</u>	<u>\$ 65,230</u>

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013**

	<u>District Attorney Hot Checks</u>	<u>County Attorney Forfeiture</u>	<u>District Attorney Forfeiture</u>
ASSETS			
Cash and cash equivalents	\$ 240	\$ 2,293	\$ 9,545
Receivables			
Grants	-	-	-
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
TOTAL ASSETS	<u>\$ 240</u>	<u>\$ 2,293</u>	<u>\$ 9,545</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Nonspendable	-	-	-
Restricted	-	2,293	9,545
Assigned	240	-	-
Unassigned	-	-	-
Total fund balances	<u>240</u>	<u>2,293</u>	<u>9,545</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 240</u>	<u>\$ 2,293</u>	<u>\$ 9,545</u>

<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Miscellaneous Grants</u>
\$ 25,970	\$ 36,832	\$ 2,085	\$ 7,672	\$ 593	\$ 59
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 25,970</u>	<u>\$ 36,832</u>	<u>\$ 2,085</u>	<u>\$ 7,672</u>	<u>\$ 593</u>	<u>\$ 59</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
90	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,860	-	-
<u>90</u>	<u>-</u>	<u>-</u>	<u>7,860</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
25,880	-	-	-	-	59
-	36,832	2,085	-	593	-
-	-	-	(188)	-	-
<u>25,880</u>	<u>36,832</u>	<u>2,085</u>	<u>(188)</u>	<u>593</u>	<u>59</u>
<u>\$ 25,970</u>	<u>\$ 36,832</u>	<u>\$ 2,085</u>	<u>\$ 7,672</u>	<u>\$ 593</u>	<u>\$ 59</u>

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013**

	<u>Senior Fund</u>	<u>Emergency Management Grant</u>	<u>Homeland Security Grant</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Receivables			
Grants	35,285	30,885	-
Other - miscellaneous	-	-	-
Due from other funds	-	-	-
Prepaid items	112	-	-
TOTAL ASSETS	<u>\$ 35,397</u>	<u>\$ 30,885</u>	<u>\$ -</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Deficit in pooled cash	\$ 37,642	\$ 14,618	\$ 638
Accounts payable	10,080	406	-
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>47,722</u>	<u>15,024</u>	<u>638</u>
 Deferred inflows of resources			
Unavailable revenue - property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances			
Nonspendable	112	-	-
Restricted	-	-	-
Assigned	-	15,861	-
Unassigned	(12,437)	-	(638)
Total fund balances	<u>(12,325)</u>	<u>15,861</u>	<u>(638)</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$ 35,397</u>	 <u>\$ 30,885</u>	 <u>\$ -</u>

<u>Victims Assistance Grant</u>	<u>HAVA Grant</u>	<u>911 Addressing Grant</u>	<u>Title III Grant</u>	<u>Juvenile Probation</u>	<u>TCDP Grant - Berea Water Plant</u>
\$ 2,713	\$ -	\$ -	\$ -	\$ 31,703	\$ -
1,173	-	1,821	-	9,066	-
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>2,571</u>	-	-	-	-
<u>\$ 3,886</u>	<u>\$ 2,571</u>	<u>\$ 1,821</u>	<u>\$ -</u>	<u>\$ 40,769</u>	<u>\$ -</u>
\$ -	\$ -	\$ 1,821	\$ -	\$ -	\$ -
-	-	-	-	2,163	-
-	-	-	-	-	-
-	<u>2,571</u>	-	-	-	-
<u>-</u>	<u>2,571</u>	<u>1,821</u>	<u>-</u>	<u>2,163</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	2,571	-	-	-	-
3,886	-	-	-	38,606	-
-	-	-	-	-	-
-	<u>(2,571)</u>	-	-	-	-
<u>3,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,606</u>	<u>-</u>
<u>\$ 3,886</u>	<u>\$ 2,571</u>	<u>\$ 1,821</u>	<u>\$ -</u>	<u>\$ 40,769</u>	<u>\$ -</u>

**HOUSTON COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013**

	TCDP Grant - Emerg Generators	Total Nonmajor Special Revenue Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 486,669
Receivables		
Grants	-	78,230
Other - miscellaneous	-	2,755
Due from other funds	-	10,929
Prepaid items	-	2,683
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 581,266</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities		
Deficit in pooled cash	\$ 19	\$ 56,918
Accounts payable	-	14,790
Due to other funds	-	-
Unearned revenues	-	10,431
Total liabilities	<u>19</u>	<u>82,139</u>
Deferred inflows of resources		
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Fund balances		
Nonspendable	-	2,683
Restricted	-	216,532
Assigned	-	295,765
Unassigned	<u>(19)</u>	<u>(15,853)</u>
Total fund balances	<u>(19)</u>	<u>499,127</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ -</u>	<u>\$ 581,266</u>

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HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Hotel Occupancy Tax	Community Development	Justice Court Security
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Selective sales and use taxes	\$ 42,643	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	-	-	1,253
Intergovernmental revenue and grants	-	136	-
Contributions and donations from private sources	-	-	-
Investment earnings	96	6	6
Other revenue	393	-	-
Total revenues	<u>43,132</u>	<u>142</u>	<u>1,259</u>
EXPENDITURES			
General government	8,411	-	-
Judicial and law enforcement	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	708	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>8,411</u>	<u>708</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>34,721</u>	<u>(566)</u>	<u>1,259</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	-
Transfers out	-	(15,459)	-
Net other financing sources (uses)	<u>-</u>	<u>(15,459)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	34,721	(16,025)	1,259
FUND BALANCE - BEGINNING OF YEAR	<u>101,445</u>	<u>16,025</u>	<u>6,567</u>
FUND BALANCE - END OF YEAR	<u>\$ 136,166</u>	<u>\$ -</u>	<u>\$ 7,826</u>

<u>Justice Court Technology</u>	<u>County & District Court Technology</u>	<u>Family Protection</u>	<u>Child Abuse Prevention</u>	<u>Right of Way</u>	<u>Road & Bridge Fines</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	630	1,140	2	92,723	-
-	-	-	-	-	-
5,147	-	-	-	-	93,149
-	-	-	-	-	-
-	-	-	-	-	-
29	2	64	-	23	28
-	-	-	-	-	-
<u>5,176</u>	<u>632</u>	<u>1,204</u>	<u>2</u>	<u>92,746</u>	<u>93,177</u>
-	-	-	-	-	-
7,658	-	-	-	-	-
-	-	-	-	-	13,794
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,794</u>
<u>(2,482)</u>	<u>632</u>	<u>1,204</u>	<u>2</u>	<u>92,746</u>	<u>79,383</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(109,150)	(76,029)
-	-	-	-	(109,150)	(76,029)
(2,482)	632	1,204	2	(16,404)	3,354
<u>39,551</u>	<u>1,793</u>	<u>4,132</u>	<u>407</u>	<u>39,161</u>	<u>17,144</u>
<u>\$ 37,069</u>	<u>\$ 2,425</u>	<u>\$ 5,336</u>	<u>\$ 409</u>	<u>\$ 22,757</u>	<u>\$ 20,498</u>

HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Timber Fund</u>	<u>Records Management & Preservation</u>	<u>Co Clerk Records Preservation</u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	7,199	33,523
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	594,686	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	46	-	1
Other revenue	-	-	-
Total revenues	<u>594,732</u>	<u>7,199</u>	<u>33,524</u>
EXPENDITURES			
General government	-	12,677	62,601
Judicial and law enforcement	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	297,343	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>297,343</u>	<u>12,677</u>	<u>62,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>297,389</u>	<u>(5,478)</u>	<u>(29,077)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	-
Transfers out	(449,400)	-	-
Net other financing sources (uses)	<u>(449,400)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(152,011)	(5,478)	(29,077)
FUND BALANCE - BEGINNING OF YEAR	<u>152,108</u>	<u>6,020</u>	<u>29,195</u>
FUND BALANCE - END OF YEAR	<u>\$ 97</u>	<u>\$ 542</u>	<u>\$ 118</u>

<u>District Clerk Records Preservation</u>	<u>County Clerk Vital Records</u>	<u>County Clerk Archives</u>	<u>District Clerk Archives</u>	<u>Co Attorney Pre-trial Intervention</u>	<u>Hot Check Fees</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,443	1,540	24,513	1,339	-	-
-	-	-	-	-	-
-	-	-	-	12,929	16,151
-	-	-	-	-	-
-	-	-	-	-	-
2	3	57	3	15	50
-	-	-	-	-	-
<u>1,445</u>	<u>1,543</u>	<u>24,570</u>	<u>1,342</u>	<u>12,944</u>	<u>16,201</u>
3,264	4,204	39,660	-	-	-
-	-	-	-	2,217	9,379
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,264</u>	<u>4,204</u>	<u>39,660</u>	<u>-</u>	<u>2,217</u>	<u>9,379</u>
<u>(1,819)</u>	<u>(2,661)</u>	<u>(15,090)</u>	<u>1,342</u>	<u>10,727</u>	<u>6,822</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(4,925)
-	-	-	-	-	(4,925)
(1,819)	(2,661)	(15,090)	1,342	10,727	1,897
<u>2,294</u>	<u>3,829</u>	<u>63,309</u>	<u>2,996</u>	<u>13,017</u>	<u>63,333</u>
<u>\$ 475</u>	<u>\$ 1,168</u>	<u>\$ 48,219</u>	<u>\$ 4,338</u>	<u>\$ 23,744</u>	<u>\$ 65,230</u>

HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	District Attorney Hot Checks	County Attorney Forfeiture	District Attorney Forfeiture
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	-	-	-
Fines and forfeitures	156	-	1,013
Intergovernmental revenue and grants	-	-	-
Contributions and donations from private sources	-	-	-
Investment earnings	-	2	10
Other revenue	-	-	-
Total revenues	<u>156</u>	<u>2</u>	<u>1,023</u>
EXPENDITURES			
General government	-	-	-
Judicial and law enforcement	265	-	1,916
Highways and streets	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>265</u>	<u>-</u>	<u>1,916</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(109)</u>	<u>2</u>	<u>(893)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	-	-	-
Transfers out	-	(80)	(4,716)
Net other financing sources (uses)	<u>-</u>	<u>(80)</u>	<u>(4,716)</u>
NET CHANGE IN FUND BALANCE	(109)	(78)	(5,609)
FUND BALANCE - BEGINNING OF YEAR	<u>349</u>	<u>2,371</u>	<u>15,154</u>
FUND BALANCE - END OF YEAR	<u>\$ 240</u>	<u>\$ 2,293</u>	<u>\$ 9,545</u>

<u>Sheriff Forfeiture</u>	<u>Permanent Improvement</u>	<u>LEOSE Education Funds</u>	<u>District Attorney Apportionment</u>	<u>Vehicle Inventory Tax Interest</u>	<u>Miscellaneous Grants</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
720	-	-	-	-	-
-	-	-	27,261	-	20,960
-	-	-	-	-	-
20	70	3	-	101	36
-	-	-	-	-	-
<u>740</u>	<u>70</u>	<u>3</u>	<u>27,261</u>	<u>101</u>	<u>20,996</u>
-	37,002	-	-	520	-
85	-	1,731	19,632	-	20,960
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	6,591	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>85</u>	<u>43,593</u>	<u>1,731</u>	<u>19,632</u>	<u>520</u>	<u>20,960</u>
<u>655</u>	<u>(43,523)</u>	<u>(1,728)</u>	<u>7,629</u>	<u>(419)</u>	<u>36</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(37,564)	-	(7,817)	-	-
-	(37,564)	-	(7,817)	-	-
655	(81,087)	(1,728)	(188)	(419)	36
<u>25,225</u>	<u>117,919</u>	<u>3,813</u>	<u>-</u>	<u>1,012</u>	<u>23</u>
<u>\$ 25,880</u>	<u>\$ 36,832</u>	<u>\$ 2,085</u>	<u>\$ (188)</u>	<u>\$ 593</u>	<u>\$ 59</u>

HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Senior Fund	Emergency Management Grant	Homeland Security Grant
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Selective sales and use taxes	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Charges for services	34,151	-	-
Fines and forfeitures	-	-	-
Intergovernmental revenue and grants	220,689	53,436	44,043
Contributions and donations from private sources	8,306	639	-
Investment earnings	10	-	-
Other revenue	3,688	-	-
	<u>266,844</u>	<u>54,075</u>	<u>44,043</u>
EXPENDITURES			
General government	-	-	-
Judicial and law enforcement	-	69,769	-
Highways and streets	-	-	-
Health and welfare	304,677	-	-
Culture and recreation	-	-	-
Pass-through expenditures	-	-	44,043
Capital outlay	-	-	-
Debt service			
Principal	5,978	-	-
Interest	584	-	-
	<u>311,239</u>	<u>69,769</u>	<u>44,043</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(44,395)</u>	<u>(15,694)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of real and personal property	-	-	-
Proceeds from capital leases	-	-	-
Transfers in	27,000	22,551	-
Transfers out	-	-	-
	<u>27,000</u>	<u>22,551</u>	<u>-</u>
Net other financing sources (uses)	<u>27,000</u>	<u>22,551</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(17,395)	6,857	-
FUND BALANCE - BEGINNING OF YEAR	<u>5,070</u>	<u>9,004</u>	<u>(638)</u>
FUND BALANCE - END OF YEAR	<u>\$ (12,325)</u>	<u>\$ 15,861</u>	<u>\$ (638)</u>

<u>Victims Assistance Grant</u>	<u>HAVA Grant</u>	<u>911 Addressing Grant</u>	<u>Title III Grant</u>	<u>Juvenile Probation</u>	<u>TCDP Grant - Berea Water Plant</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,737	-
38,139	12,856	24,038	20,812	149,224	-
-	-	-	-	-	-
-	-	-	-	10	-
-	-	-	-	-	-
<u>38,139</u>	<u>12,856</u>	<u>24,038</u>	<u>20,812</u>	<u>150,971</u>	<u>-</u>
-	12,856	-	-	-	-
40,101	-	-	-	206,909	-
-	-	24,038	20,812	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>40,101</u>	<u>12,856</u>	<u>24,038</u>	<u>20,812</u>	<u>206,909</u>	<u>-</u>
(1,962)	-	-	-	(55,938)	-
-	-	-	-	1,800	-
-	-	-	-	-	-
5,005	-	-	-	69,225	-
-	-	-	-	-	(28)
<u>5,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,025</u>	<u>(28)</u>
3,043	-	-	-	15,087	(28)
843	-	-	-	23,519	28
<u>\$ 3,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,606</u>	<u>\$ -</u>

HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	TCDP	Total
	Grant - Emerg	Nonmajor
	Generators	Special Revenue
	<u> </u>	<u> </u>
REVENUES		
Selective sales and use taxes	\$ -	\$ 42,643
Fees, licenses, and permits	-	164,052
Charges for services	-	34,151
Fines and forfeitures	-	132,255
Intergovernmental revenue and grants	10,000	1,216,280
Contributions and donations from private sources	-	8,945
Investment earnings	-	693
Other revenue	-	4,081
Total revenues	<u>10,000</u>	<u>1,603,100</u>
EXPENDITURES		
General government	-	181,195
Judicial and law enforcement	-	380,622
Highways and streets	-	58,644
Health and welfare	5,046	309,723
Culture and recreation	-	708
Pass-through expenditures	-	341,386
Capital outlay	-	6,591
Debt service		
Principal	-	5,978
Interest	-	584
Total expenditures	<u>5,046</u>	<u>1,285,431</u>
EXCESS (DEFICIENCY) OF REVENUES		
OVER EXPENDITURES	<u>4,954</u>	<u>317,669</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of real and personal property	-	1,800
Proceeds from capital leases	-	-
Transfers in	27	123,808
Transfers out	<u>(5,000)</u>	<u>(710,168)</u>
Net other financing sources (uses)	<u>(4,973)</u>	<u>(584,560)</u>
NET CHANGE IN FUND BALANCE	(19)	(266,891)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>766,018</u>
FUND BALANCE - END OF YEAR	<u>\$ (19)</u>	<u>\$ 499,127</u>

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HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	<u>County Attorney Hot Check</u>	<u>DA Forfeiture Trust Fund</u>	<u>Sheriff's Inmate Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 7,067	\$ 3,840	\$ 10,652
TOTAL ASSETS	<u>\$ 7,067</u>	<u>\$ 3,840</u>	<u>\$ 10,652</u>
LIABILITIES			
Amounts held for others	\$ -	\$ -	\$ 10,652
Due to other units	<u>7,067</u>	<u>3,840</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 7,067</u>	<u>\$ 3,840</u>	<u>\$ 10,652</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>
\$ 9,921	\$ 41,896	\$ 29,184	\$ 212	\$ 4,433	\$ 470
<u>\$ 9,921</u>	<u>\$ 41,896</u>	<u>\$ 29,184</u>	<u>\$ 212</u>	<u>\$ 4,433</u>	<u>\$ 470</u>
\$ 4,902	\$ -	\$ -	\$ -	\$ -	\$ -
<u>5,019</u>	<u>41,896</u>	<u>29,184</u>	<u>212</u>	<u>4,433</u>	<u>470</u>
<u>\$ 9,921</u>	<u>\$ 41,896</u>	<u>\$ 29,184</u>	<u>\$ 212</u>	<u>\$ 4,433</u>	<u>\$ 470</u>

HOUSTON COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2013

	<u>Tax Assessor's Highway Department</u>	<u>Tax Assessor's Hwy Emission Reg Fee</u>	<u>County Clerk Trust Fund</u>
ASSETS			
Cash and cash equivalents	\$ 219,814	\$ 5,895	\$ 582,162
TOTAL ASSETS	<u>\$ 219,814</u>	<u>\$ 5,895</u>	<u>\$ 582,162</u>
LIABILITIES			
Amounts held for others	\$ -	\$ -	\$ 582,162
Due to other units	<u>219,814</u>	<u>5,895</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 219,814</u>	<u>\$ 5,895</u>	<u>\$ 582,162</u>

<u>District Clerk Trust Fund</u>	<u>Total Agency Funds</u>
\$ 450,543	\$ 1,366,089
<u>\$ 450,543</u>	<u>\$ 1,366,089</u>
\$ 450,543	\$ 1,048,259
-	<u>317,830</u>
<u>\$ 450,543</u>	<u>\$ 1,366,089</u>

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COMPLIANCE SECTION

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Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

Melvin R. Todd, CPA
Daren Hamaker, CPA
Kim Johnson, CPA
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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Houston County, Texas (the "County"), as of and for the year ended September 30, 2013, 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, 2014.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the following deficiency as described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-01.

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. We consider the following deficiencies as described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2012-01 and 2012-03.

**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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Houston County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

June 27, 2014

Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

Melvin R. Todd, CPA
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Houston County, Texas's (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2013. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Houston County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Houston County, Texas's 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's 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, 2013.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

June 27, 2014

HOUSTON COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Texas Comptroller of Public Accounts			
Schools and Roads - Grants to States	10.665	-	\$ 438,388 ⁴
Total for CFDA 10.665			<u>438,388</u>
Total U.S. Department of Agriculture:			<u>438,388</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Texas General Land Office			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	DRS010071/ 10-5069-000-5046	5,000
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	DRS220071/ 13-180-000-7293	<u>5,000</u>
Total for CFDA 14.228			<u>10,000</u>
Total U.S. Department of Housing and Urban Development:			<u>10,000</u>
<u>U.S. Department of the Interior</u>			
Passed through Texas Comptroller of Public Accounts			
National Forest Acquired Lands	15.438	-	177,111 ⁴
Total for CFDA 15.438			<u>177,111</u>
Total U.S. Department of the Interior:			<u>177,111</u>
<u>U.S. Department of Transportation</u>			
Passed through Texas Department of Transportation – Aviation Division			
Airport Improvement Program	20.106	1111CROCK 1XXAV067	<u>31,396</u>
Total for CFDA 20.106			<u>31,396</u>
Total U.S. Department of Transportation:			<u>31,396</u>
<u>U.S. Election Assistance Commission</u>			
Passed through Texas Office of the Secretary of State			
Help America Vote Act Requirements Payments	90.401	77523	<u>12,856</u>
Total for CFDA 90.401			<u>12,856</u>
Total U.S. Election Assistance Commission:			<u>12,856</u>

See accompanying notes to schedule of expenditures of federal awards.

HOUSTON COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Texas Department of Family and Protective Services			
Foster Care—Title IV-E	93.658	24095781	<u>2,205</u>
Total for CFDA 93.658			<u>2,205</u>
Total U.S. Department of Health and Human Services:			<u>2,205</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Texas Department of Public Safety – Division of Emergency Management			
Emergency Management Performance Grants	97.042	2012-EP-00011 13TX-EMPG-1242	<u>30,885</u>
Total for CFDA 97.042			<u>30,885</u>
Hazard Mitigation Grant	97.047	DR-1931 PDMC- PL-06-TX-2012-033	<u>7,538</u>
Total for CFDA 97.047			<u>7,538</u>
State Homeland Security Program	97.073	2010-SS-T0-0008 10-GA-48225-01	<u>44,043</u> ⁴
Total for CFDA 97.073			<u>44,043</u>
Total U.S. Department of Homeland Security:			<u>82,466</u>
Total Federal Awards Expended:			<u>\$ 754,422</u>

See accompanying notes to schedule of expenditures of federal awards.

HOUSTON COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Houston County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of Houston County, Texas.

NOTE 2 – Summary of Significant Accounting Policies

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

NOTE 3 – Presentation of Expenditures

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

NOTE 4 – Subrecipients

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

CFDA Number	Program Name	Amount Provided to Subrecipients
10.665	Schools and Roads - Grants to States – Title I	\$ 208,788
15.438	National Forest Acquired Lands	88,555
97.042	State Homeland Security Program	44,043
Total federal awards provided to subrecipients:		\$ 341,386

NOTE 5 – Other

Pass-through entity identifying numbers are presented where available.

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**HOUSTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified

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

Non-compliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as a low-risk auditee? ✓ yes no

HOUSTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Section II – Financial Statement Findings

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

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

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

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

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

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

Views of responsible officials and corrective action. On January 26, 2014, Houston County experienced massive computer server problems when both our internal hard drives failed, which resulted in loss and corruption of the County’s electronic data of all County departments. In addition to the failure, it was discovered backup procedures were not performed and verified. Through a data recovery company, the majority of the data was recovered. Of the data recovered, the FY 2013 general ledger was recreated and manual entries were made.

In February, 2014, Houston County corrected the backup procedures process with additional servers and layers of redundancy. The long term plan is to relocate the backup server to a secure and proper storage environment (the former Houston County Jail building) for additional separation, security and fire protection measures, interconnect through the existing fiberoptics network for daily storage and safekeeping of data.

See Status of Prior Audit Findings, 2012-01 and 2012-03.

**HOUSTON COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Section III – Federal Award Findings and Questioned Costs

None.

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**HOUSTON COUNTY, TEXAS
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Financial Statement Findings

2012-01 *Significant Deficiency: Check signing controls*

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

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

Effect. Internal controls are compromised; potential unauthorized expenditures.

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

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

Current status of corrective action plan. In July, 2013, the Commissioners Court approved an Information Technology Usage Policy which addressed password concerns raised in the prior year.

Current year audit procedures revealed that the policy has not been enforced. The Treasurer's password has not been changed. Additionally, internal controls related to the use of electronic signatures were found to be flawed, both from a system perspective and a practical application perspective.

This finding remains outstanding.

Views of responsible officials and corrective action plan. As of June 27, 2014, the electronic signature function of the software will no longer be used and will be turned off. All future checks will be signed manually by the County Treasurer and the County Auditor.

Additionally, a request has been sent to the software company to require that all passwords be changed and updated on a regular basis in order to access the system.

2012-02 *Significant Deficiency: Posting of audit adjustments*

Condition. The September 30, 2011 audit adjustments have not posted to the client records.

Criteria. Adjustments provided by the external auditor should be recorded to the general ledger as soon as possible after the year end audit is performed.

Effect. Fund balances, for funds with adjustments, are misstated.

Context. Fund balances will be misstated in the current year if audit adjustments are not posted.

**HOUSTON COUNTY, TEXAS
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Recommendation. The September 30, 2011 and 2012 audit adjustments should be posted in the next accounting cycle.

Current status of corrective action plan. Prior year audit adjustments were posted as recommended.

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

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

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

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

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

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

Recommendation. The following recommendations should be considered:

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

Current status of corrective action plan. Policies and procedures have been established to properly track fixed asset additions and disposals. Reconciliation of the County vs. external auditor fixed asset listings, as well as a complete inventory of all County assets, is pending.

This finding remains outstanding.

Views of responsible officials and corrective action plan. As of June 27, 2014, the software company has created a special reporting program to assist the County Auditor in reconciling the inventory items entered into the capital asset module. The reconciliation will be completed and a full County wide inventory audit will be performed on all items.

**HOUSTON COUNTY, TEXAS
STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Federal Award Findings and Questioned Costs

None.