

**HOWARD COUNTY
TEXAS**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

presented with

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and Members of
the Commissioners Court
Howard 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 Howard County, Texas, (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's 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 auditor's 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 Howard County, Texas, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information together with the schedule of changes in net pension liability and related ratios and the schedule of employer contributions on pages 4-11 and 42-47 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 (GASB), 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 on page 13-15 Howard County, Texas's basic financial statements. The combined non-major fund financial statements on page 63-73 and the schedule of expenditures of state awards on page 74-84 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combined non-major fund financial statements and the scheduled of expenditures 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 combined non-major fund financial statements and the schedule of expenditures 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 March 21, 2018, on our consideration of Howard County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Howard County, Texas's internal control over financial reporting and compliance.



Certified Public Accountant

Abilene, Texas
March 21, 2018

HOWARD COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Howard County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

Government Wide

- Howard County's total combined net position was \$20.3 million at September 30, 2017. This represents an increase of \$1.63 million from September 30, 2016. Of this amount, \$12.74 million (unrestricted net position) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$1.63 million less than the \$20.89 million generated in taxes and other revenues for governmental activities.

General Fund

- The General Fund reported a fund balance this year of \$8.3 million, and all but \$41,564 is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's basic financial statements consist of three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide statements are designed to provide readers with a broad overview of Howard County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 13) presents information on all of Howard 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 Howard County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 14) presents information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Net position- the difference between the County's assets and liabilities - is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

Governmental activities include general government, public safety, road maintenance, health and welfare, conservation of natural resources, culture and recreation, intergovernmental, and vehicle operations. These activities are financed primarily by property taxes and grants.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about Howard County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Howard County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has three types of funds:

- Governmental funds-Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. 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 for governmental activities 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 Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Pages 19 and 21 of the basic financial statements section.

The County maintains 46 individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, contingency fund, debt service fund and the road and bridge fund, all of which are considered to be major funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided in the Required Supplementary section to demonstrate compliance with this budget.

- Proprietary funds -Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, Howard County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities. The internal service fund financial statements are presented on Pages 23-24.
- Fiduciary funds -The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Fiduciary Balance Sheet on Page 26. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Howard County's combined net position was approximately \$20.3 million at September 30, 2017. The portion of the County's net position (67.14%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. An additional portion of the County's net position (9.35%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

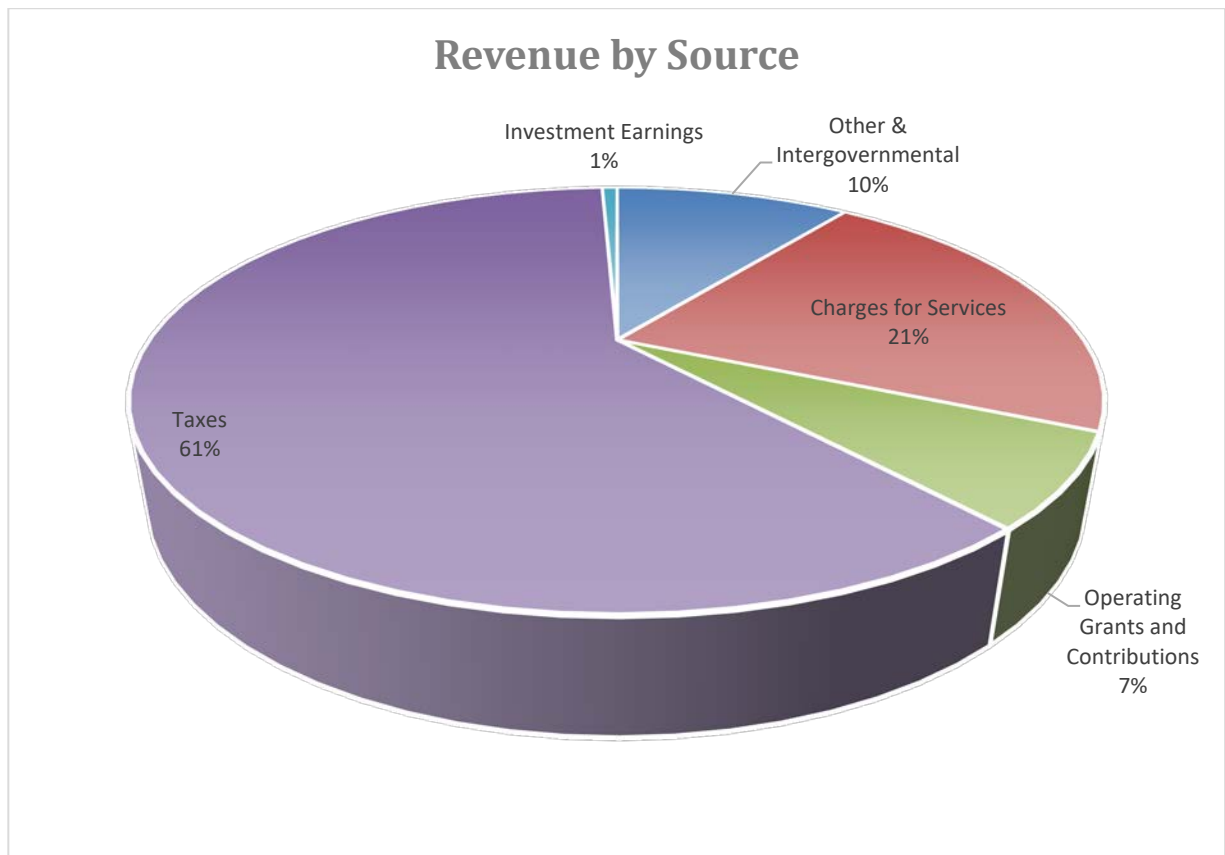
	Governmental Activities	
	September 30, 2017	September 30, 2016
Current and Other Assets	\$ 18,070,182	\$ 17,096,695
Capital Assets	13,642,926	13,009,616
Total Assets	31,713,108	30,106,311
Deferred Outflows of Resources	3,444,467	4,223,911
Current Liabilities	2,858,006	1,909,684
Long Term Liabilities	12,998,432	14,563,565
Total Liabilities	15,856,438	16,473,249
Deferred Inflows of Resources	-	-
Net Position		
Net Investment in Capital Assets	4,657,926	3,614,616
Restricted	1,898,850	1,702,881
Unrestricted	13,762,160	13,374,087
Total Net Position	\$ 20,318,936	\$ 18,691,584

Changes in Net Position-Howard County's net position increase by approximately \$1.63 million during the current fiscal year.

	Governmental Activities	
	Fiscal Year	Fiscal Year
	2017	2016
Revenues:		
Charges for Services	\$ 4,471,859	\$ 3,652,006
Operating Grants and Contributions	1,419,331	2,555,567
General Revenues:		
Taxes	12,749,847	12,341,617
Investment Earnings	136,652	88,523
Other & Intergovernmental	2,112,016	1,886,078
Total Revenues	<u>20,889,705</u>	<u>20,523,791</u>
Expenses:		
General Government	8,287,354	6,884,732
Financial Administration	1,550	
Judicial		750
Legal	1,170,774	1,400,558
Operations	1,209,505	1,106,929
Public Safety	4,911,402	4,709,023
Road and Bridge	2,690,494	4,248,165
Health and Welfare and Conservation	303,902	328,114
Culture and Recreation	350,075	351,668
Interest on Long-Term Debt	337,297	293,015
Total Expenses	<u>19,262,353</u>	<u>19,322,954</u>
Change in Net Position	1,627,352	1,200,837
Beginning Net Position	<u>18,691,584</u>	<u>16,656,136</u>
Prior Period Adjustment		834,611
Ending Net Position	<u>\$ 20,318,936</u>	<u>\$ 18,691,584</u>

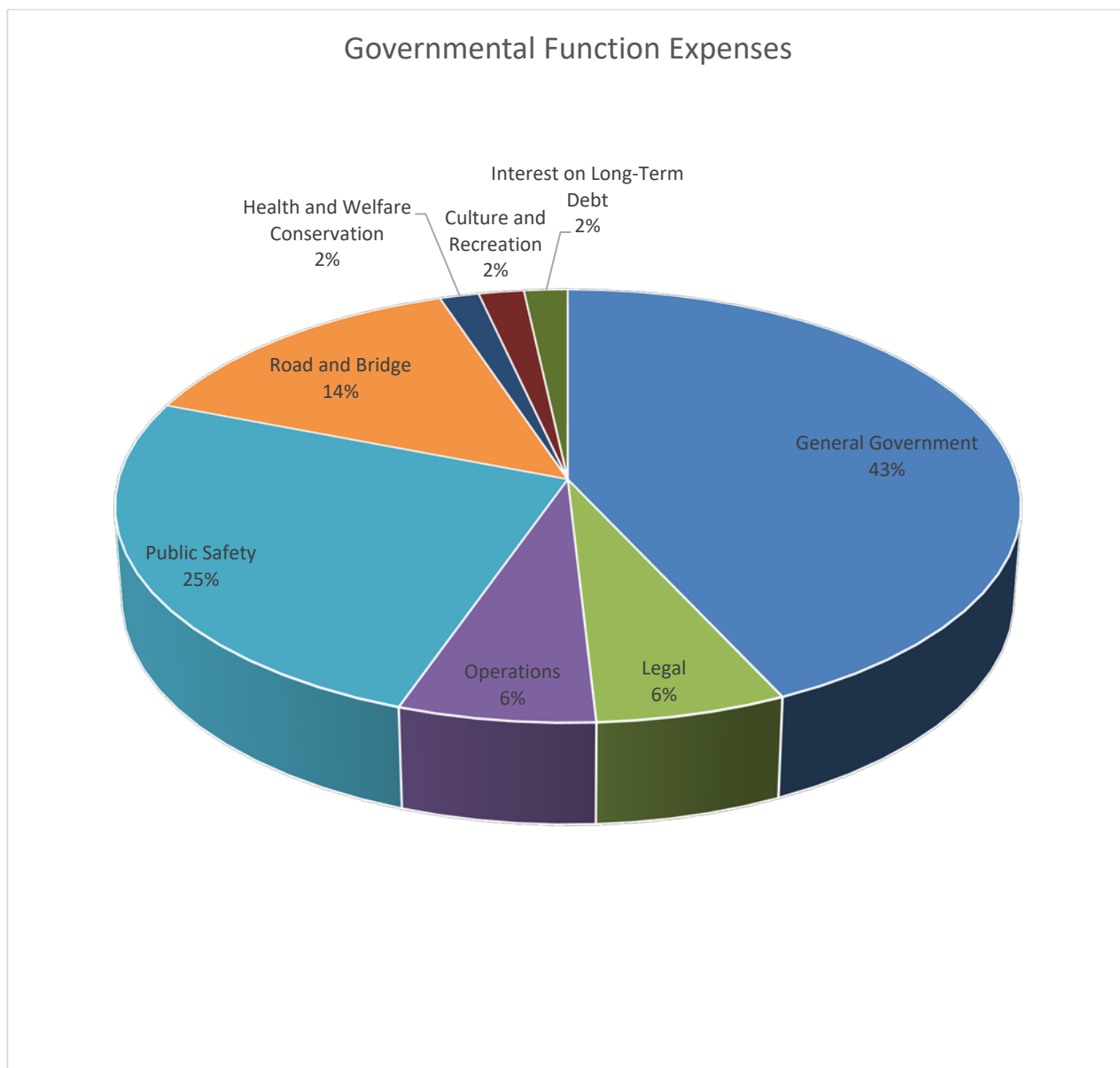
Governmental Activities—Total revenues for the fiscal year ending September 30, 2017 were \$20.71 million. Approximately 61% of the County’s revenue comes from taxes. Tax revenue increased 1.8% due to an increase in the tax base.

Expenditures decreased by \$60.6 thousand over all from the prior year, mainly due to a decrease in road and bridge expenditures.



Other & Intergovernmental	10.20%	2,112,016
Charges for Services	21.60%	4,471,859
Operating Grants and Contributions	6.85%	1,419,331
Taxes	60.69%	12,566,659
Investment Earnings	0.66%	136,652
Total		20,706,517

The total cost for all programs and services totaled \$19.26 million for the year ended September 30, 2017. Of this amount, the largest operating services areas were General Government which totaled \$8.29 million or 43% of total expenses for the year, and public safety which totaled \$4.91 million, or 25% of total expenses for the year. In the prior year, these two operating areas comprised 60% of total expenses.



General Government	43.02%	8,287,354
Financial Administration	0.01%	1,550
Legal	6.08%	1,170,774
Operations	6.28%	1,209,505
Public Safety	25.50%	4,911,402
Road and Bridge	13.97%	2,690,494
Health and Welfare Conservation	1.58%	303,902
Culture and Recreation	1.82%	350,075
Interest on Long-Term Debt	1.75%	337,297
	100.00%	19,262,353

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Howard County's governmental funds reported a combined fund balance of \$14.06 million, an increase of \$800,801 or 5.7% in comparison with the prior year. Approximately 70.38% of this total amount (\$9.89 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonexpendable, restricted or assigned, to indicate that it is not available for new spending because it has already been restricted or assigned to: 1) Road and bridge funds (\$2.22 million), 2) Special purposes (\$1.81 million), and 3) Debt Services (\$89,360)

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$7.58 million. Approximately \$7.54 million is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures.

Howard County's General Fund balance increased by \$117,404 during the current fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets-As of September 30, 2017, the County had invested \$13.64 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of \$633,310, or 4.87% over last year.

Major events affecting capital assets during the year were:

- Machinery, Vehicles, Equipment increased by \$842,385.
- Completion of infrastructure.

More detailed information about the County's capital assets can be found in Note 5 on Page 31 of this report.

	Governmental Activities		Percent Change
	2017	2016	
Land	\$ 588,189	\$ 589,576	-0.24%
Buildings and Improvements	19,990,879	19,990,879	0.00%
Machinery, Vehicles, Equipment	7,558,759	6,716,374	12.54%
Infrastructure	1,037,048	-	N/A
Total	29,174,875	27,296,829	6.88%
Total Accumulated Depreciation	(15,531,949)	(14,287,213)	8.71%
Net Capital Assets	\$ 13,642,926	\$ 13,009,616	4.87%

Long-Term Debt

At the end of the year, the County had \$20.9 million of long-term obligations.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Bonds Payable	\$ 8,560,000	\$ 8,985,000	\$ (425,000)
Compensated Absences	177,068	176,572	496
Net OPEB Obligation	1,258,443	991,160	267,283
Net Pension Liability	<u>4,438,432</u>	<u>4,981,999</u>	<u>(543,567)</u>
Total	\$ <u>14,433,943</u>	\$ <u>15,134,731</u>	\$ <u>(700,788)</u>

During the year, Howard County's long-term obligations decreased by \$700,788.

More detailed information about the County's long-term liabilities can be found in Note 7 on Pages 32-33 of this report.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Howard County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Howard County Auditor, 300 Main Street, Big Spring TX 79720.

GOVERNMENT WIDE FINANCIAL STATEMENTS

HOWARD COUNTY TEXAS
Statement of Net Position
September 30, 2017

Exhibit A-1

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 15,125,535
Receivables:	
Accounts	721,625
Fines and Fees	1,123,309
Taxes (net of allowance for uncollectible)	1,017,799
Due from agency funds	
Inventories	81,914
Capital Assets:	
Non-depreciable capital assets	588,189
Depreciable capital assets, net	<u>13,054,737</u>
Total assets	<u>31,713,108</u>
Deferred Outflows of Resources - Pension	3,444,467
Total Assets and Deferred outflows of Resources	<u>35,157,575</u>
Liabilities:	
Accounts payable and other current liabilities	907,168
Payroll liabilities	301,207
Accrued interest payable	23,630
Current liabilities due in less than 1 year	608,202
Non-current liabilities due in more than 1 year	8,560,000
Pension liabilities	<u>4,438,432</u>
Total liabilities	<u>14,838,639</u>
Net Position:	
Net investment capital assets	4,657,926
Restricted for:	
General government	1,796,816
Debt Service	89,360
Other purposes	12,674
Unrestricted	<u>3,762,160</u>
Total net position	<u>\$ 20,318,936</u>

The notes to the financial statements are an integral part of this statement.

HOWARD COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants & Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General government	\$ 8,287,354	\$ 3,674,824	\$ 35,278
Public Safety	4,911,402	134,218	-
Road Maintenance	2,690,494	656,745	1,332,281
Health/Welfare	166,553	-	-
Conservation of Natural Resources	137,349	-	-
Culture and Recreation	350,075	6,072	-
Intergovernmental	1,170,774	-	-
Interest & fees on long term debt	337,297	-	-
Vehicle operations	1,209,505	-	-
Other	1,550	-	51,772
Total governmental activities	\$ 19,262,353	\$ 4,471,859	\$ 1,419,331
TOTAL PRIMARY GOVERNMENT			

General Revenues:

Property taxes

Intergovernmental

Other/Interest/sale of property

Gain (loss) on sale of equipment

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities		Total	
\$	(4,577,252)	\$	(4,577,252)
	(4,777,184)		(4,777,184)
	(701,468)		(701,468)
	(166,553)		(166,553)
	(137,349)		(137,349)
	(344,003)		(344,003)
	(1,170,774)		(1,170,774)
	(337,297)		(337,297)
	(1,209,505)		(1,209,505)
	50,222		50,222
\$	<u>(13,371,163)</u>	\$	<u>(13,371,163)</u>
\$	12,749,847	\$	12,749,847
	1,381,583		1,381,583
	900,539		900,539
	(33,454)		(33,454)
	<u>14,998,515</u>		<u>14,998,515</u>
	1,627,352		1,627,352
	18,691,584		18,691,584
\$	<u><u>20,318,936</u></u>	\$	<u><u>20,318,936</u></u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

HOWARD COUNTY, TEXAS
Governmental Funds Balance Sheet
September 30, 2017

	General Fund	Road & Bridge Fund	Contingency Fund
ASSETS			
Cash equivalents and Investments	\$ 8,316,523	\$ 1,737,465	\$ 2,374,174
Receivables (net of allowances for uncollectibles)	825,444	761,361	-
Due from other funds	49,015	15,461	-
Inventories	41,564	-	-
Total assets	<u>9,232,546</u>	<u>2,514,287</u>	<u>2,374,174</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	688,496	20,307	17,125
Payroll liabilities	243,459	34,765	-
Deferred Revenue	723,642	236,246	-
Total liabilities	<u>931,955</u>	<u>55,072</u>	<u>17,125</u>
Fund balances:			
Prepaid items and inventories	41,564	-	-
Restricted for			
General government	-	-	-
Unclaimed funds	-	-	-
Human services	-	-	-
Debt service	-	-	-
Assigned for			
Road and bridge	-	2,459,215	-
Unassigned	8,259,027	-	2,357,049
Total fund balances	<u>8,300,591</u>	<u>2,459,215</u>	<u>2,357,049</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,232,546</u>	<u>\$ 2,514,287</u>	<u>\$ 2,374,174</u>

The accompanying notes are an integral part of the financial statements.

HOWARD COUNTY, TEXAS
Governmental Funds Balance Sheet
September 30, 2017

Balance Sheet *Continued*:

	Debt Service Fund	Nonmajor Funds Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash equivalents and Investments	\$ 86,655	\$ 1,953,698	\$ 14,468,515
Receivables (net of allowances for uncollectibles)	57,912	26,890	1,671,607
Due from other funds	2,705	-	67,181
Inventories	-	-	41,564
Total assets	<u>147,272</u>	<u>1,980,588</u>	<u>16,248,867</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and other current liabilities	-	154,566	880,494
Payroll liabilities	-	16,532	294,756
Deferred Revenue	57,912	-	1,017,800
Total liabilities	<u>-</u>	<u>171,098</u>	<u>2,193,050</u>
Fund balances:			
Prepaid items and inventories			41,564
Restricted for			
General government	-	1,796,816	1,796,816
Unclaimed funds	-	11,609	11,609
Human services	-	1,065	1,065
Debt service	147,272		147,272
Assigned for			
Road and bridge	-	-	2,459,215
Unassigned	-	-	10,616,076
Total fund balances	<u>147,272</u>	<u>1,809,490</u>	<u>\$ 14,055,817</u>
Total liabilities, deferred inflows of resources			
and fund balances	\$ <u>147,272</u>	\$ <u>1,980,588</u>	

The notes to the financial statements are an integral part of this statement.

HOWARD COUNTY, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2017

Exhibit A-4

Total Fund Balance-Governmental Fund	\$ 14,055,817
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 11,759,681
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Receivables not available to pay for current-period expenditures.	1,123,309
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Recognition of the net pension liability and a deferred outflow of resources resulted in a decrease in net positions.	23,835
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Internal service fund is used to charge the costs of vehicle management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. Included in this amount is \$40,350 in inventory and \$1,883,245 in Capital assets.	2,541,992
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Liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in the funds.	\$ (9,185,698)
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Net Position of governmental activities	20,318,936
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The accompanying notes are an integral part of the financial statements.

HOWARD COUNTY, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Road and Bridge Fund	Contingency Fund	Debt Service Funds	Other Non- Major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 9,050,830	\$ 2,861,483	\$ -	\$ 643,812	\$ 10,534	\$ 12,566,659
License and permits	6,902	656,745	-	-	-	663,647
Intergovernmental and grants	976,206	1,423,593	18,744	-	330,599	2,749,142
Charges for services	1,707,548	-	-	-	728,045	2,435,593
Fines and fees	601,345	-	-	-	541,184	1,142,529
Interest	84,923	18,587	20,343	981	11,818	136,652
Donations	-	-	-	-	51,772	51,772
Change in Inventories	20,275	-	-	-	-	20,275
Miscellaneous	782,039	-	-	-	-	782,039
Total revenues	<u>13,230,068</u>	<u>4,960,408</u>	<u>39,087</u>	<u>644,793</u>	<u>1,673,952</u>	<u>20,548,308</u>
EXPENDITURES						
Current						
General government	5,640,685	-	-	-	1,321,906	6,962,591
Public safety	4,803,393	-	-	-	-	4,803,393
Road and bridge	-	4,590,442	-	-	-	4,590,442
Health and welfare	4,298	-	-	-	158,209	162,507
Conservation	119,307	-	-	-	-	119,307
Culture and Recreation	344,286	-	-	-	-	344,286
Intergovernmental	1,170,774	-	-	-	-	1,170,774
Debt principal	-	-	-	410,000	-	410,000
Debt interest and agent fees	-	-	-	340,825	-	340,825
Capital outlay	672,908	-	121,625	-	48,849	843,382
Total expenditures	<u>12,755,651</u>	<u>4,590,442</u>	<u>121,625</u>	<u>750,825</u>	<u>1,528,964</u>	<u>19,747,507</u>
Excess revenues over expenditures	474,417	369,966	(82,538)	(106,032)	144,988	800,801
OTHER FINANCING SOURCES (USES)						
Transfers in	123,323	-	200,000	-	280,336	603,659
Transfers out	(480,336)	-	-	-	(123,323)	(603,659)
Total other financing sources (uses)	<u>(357,013)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>157,013</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	177,404	369,966	117,462	(106,032)	302,001	800,801
FUND BALANCE AT BEGINNING OF YEAR	<u>7,459,546</u>	<u>1,853,003</u>	<u>2,239,587</u>	<u>195,392</u>	<u>1,507,489</u>	<u>13,255,017</u>
FUND BALANCE AT END OF YEAR	<u>\$ 7,576,950</u>	<u>\$ 2,222,969</u>	<u>\$ 2,357,049</u>	<u>\$ 89,360</u>	<u>\$ 1,809,490</u>	<u>\$ 14,055,818</u>

The notes to the financial statements are an integral part of this statement.

HOWARD COUNTY, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended
 September 30, 2017

Net Change in Fund Balances -Total Governmental Funds	\$	800,801
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The County uses internal service funds to charge the costs of certain activities, such as transfers to appropriate functions in other governmental funds. The change in net position of these internal service funds are reported with governmental funds. The net effect of this consolidation is to increase net position.

164,699

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

152,723

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

325,941

Changes of net position of governmental activities

\$ 1,444,164

PROPRIETARY FUND FINANCIAL STATEMENTS

HOWARD COUNTY, TEXAS
 Proprietary Funds Statement of Net Position
 September 30, 2017

	Governmental Activities Internal Service Funds
ASSETS	
Current assets	
Cash and cash equivalents	\$ 657,020
Accounts receivable	636
Inventories	40,350
Total current assets	<u>698,006</u>
Non-current assets	
Capital assets net accumulated depreciation	<u>1,883,245</u>
Total Assets	<u><u>2,581,251</u></u>
LIABILITIES AND NET POSITION	
Accounts payable	26,674
Compensated absences payable	6,134
Payroll Liabilities payable	6,451
Total current liabilities	<u>39,259</u>
Net position	
Net Investment in Capital Assets	1,883,245
Assigned for Equipment Operations	658,747
Total net position	<u>2,541,992</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>2,581,251</u></u>

The notes to the financial statements are an integral part of this statement.

HOWARD COUNTY, TEXAS
 Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position
 for the Year Ended September 30, 2017

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ 1,364,000
Total operating revenues	<u>1,364,000</u>
OPERATING EXPENSES	
Personnel services	195,313
Liability insurance	33,628
Materials	115,475
Maintenance and repairs	331,404
Depreciation	<u>528,967</u>
Total operating expenses	<u>1,204,787</u>
OPERATING INCOME	<u>159,213</u>
NON-OPERATING REVENUES	
Investment earnings	7,945
Gain (Loss) on sale for equipment	<u>(33,454)</u>
Total nonoperating revenues (expenses)	<u>(25,509)</u>
TRANSFERS	
Transfers in	30,995
Transfers out	<u>-</u>
Net transfers	<u>30,995</u>
CHANGE IN NET POSITION	<u>164,699</u>
NET POSITION AT BEGINNING OF YEAR	<u>2,377,293</u>
NET POSITION AT END OF YEAR	<u><u>\$ 2,541,992</u></u>

The notes to the financial statements are an integral part of this statement.

HOWARD COUNTY, TEXAS
 Proprietary Funds Statement of Cashflows
 For the Year Ended September 30, 2017

	Governmental Activities Internal Service Fund
CASHFLOWS FROM OPERATING ACTIVITIES	
Other operating receipts	\$ 1,364,000
Cash received from interfund services provided	
Cash payments to employees	(199,173)
Cash payments to suppliers	(475,847)
Net cash provided by operating activities	<u>688,980</u>
CASHFLOWS FROM INVESTING ACTIVITIES	
Acquisition of assets	(1,036,062)
Interest and Dividends	7,945
Net cash used by investing activities	<u>(1,028,117)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(339,137)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>996,157</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>657,020</u></u>
ROCONCILIATION OF OPERATING LOSS/GAIN TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income	159,213
Depreciation	528,967
Net change in:	
Accounts receivable	(486)
Inventory	(12,590)
Accounts and payroll payable	17,736
Compensated absences	(3,860)
Total adjustment	<u>800</u>
Net cash provided by operating activities	<u><u>\$ 688,980</u></u>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

HOWARD COUNTY, TEXAS
Statement of Fiduciary Net Position - Fiduciary Funds
September 30, 2017

	Agency Funds
ASSETS:	
Cash and cash equivalents	\$ 1,493,833
Accounts receivable	<u>4,263</u>
TOTAL ASSETS	<u><u>1,498,096</u></u>
LIABILITIES:	
Due to other funds	67,182
Due to others	<u>1,430,914</u>
TOTAL LIABILITIES	<u><u>\$ 1,498,096</u></u>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Howard County (the County) operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

The Commissioners' Court has governance responsibilities over all activities related to Howard County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by authoritative guidance. There are no component units included within the reporting entity.

The County provides the following services to its citizens: public safety, health and welfare, culture and recreation facilities, conservation, public facilities, judicial and legal, election functions, and general and financial administrative services.

B. Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of Howard County's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from agency funds on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

NOTE 1: Summary of Significant Accounting Policies, *continued*

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as unearned revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as unearned revenues. Licenses and permits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 1: Summary of Significant Accounting Policies, *continued*

D. Fund Accounting

The County reports the following major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Contingency Fund – The Contingency Fund is a capital projects fund that is used to account for monies for renovation projects within the Courthouse, the courthouse security, and unforeseen, unbudgeted major repairs or replacements.

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Debt Service Fund – The County uses this fund to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Additionally, the County reports the following non-major fund types:

Governmental Funds:

Non-Major Special Revenue Funds – The County uses these funds to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes.

Capital Projects Funds – The County uses these funds to account for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions. This fund has a zero-fund balance with no activity and therefore is not reported.

Proprietary Funds:

Internal Service Funds – The County uses these funds to account for the financing of goods or services provided by one department or other departments of the County, on a cost-reimbursement basis.

Fiduciary Funds:

Trust and Agency Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

E. Assets, Liabilities, Deferred Inflows/Outflows, and Net Position or Equity

- **Cash and Cash Equivalents**

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

The county chose to invest its funds in pools (TexPool, MBIA's Texas Class, LOGIC-Local Government Investment Cooperative, and TexStar). Investments in the pools and certificates which mature within three months of purchase date are reported as cash equivalents. The certificates which have a maturity time of greater than three months are reported as investments on the financial statements. The County does not purchase certificates with maturities greater than one year. In accordance with Statement No. 31 of the Governmental Accounting Standards Board, these certificates are carried at cost.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 1: Summary of Significant Accounting Policies, *continued*

The State Comptroller oversees TexPool, an AAA rated pool, with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the Comptroller. Wells Fargo is the custodian bank for Texas CLASS, and in addition, there is a board of directors that oversees the pool which is rated AAA by Fitch. MBIA MISC manages the daily operation of the pool. LOGIC is an AAA rated investment program administered by First Southwest Asset Management, Inc. and JP Morgan Chase. TexStar is rated AAA by Standard and Poor's and is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. These pools are 2(a) 7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest is accrued daily and paid monthly. The reported value of the pools is the same as the fair value of the pool shares.

As of September 30, 2017, the county had \$14,622,634 in pooled investments.

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have fair value of not less than the principal amount of deposits. As of September 30, 2017, the County's deposit balance was entirely collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

- Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide appraisal districts and for the State Property Tax Board which commenced operation on January 1, 1980.

The appraisal of property within the County was the responsibility of the Central Appraisal District (the Appraisal District) of Howard County. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjusted for new improvements exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

Through a contractual arrangement with the County, the Central Appraisal District of Howard County is responsible for the collection of taxes. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the Appraisal District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 1: Summary of Significant Accounting Policies, *continued*

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

The County has adopted a policy to record all delinquent taxes in the General Fund at year end. The County's general obligation bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes. The bond ordinances require that the Debt Service Fund be funded from actual tax receipts as received. The later collection of delinquent taxes, after the current year funding requirements have been satisfied, will be in excess of the actual requirements for the payment of the bonds. Therefore, such delinquent taxes are deposited in the County's General Fund after the County has met the annual requirements for the payment of the bonds.

The County's ad valorem tax is imposed on real property and certain personal property situated in the County. Property which is exempt from taxation includes certain properties of religious, educational and charitable organizations, household goods and personal effects not held or used for the production of income, farm products in the hands of producers, certain properties of other governmental entities, property moving in interstate commerce, with certain limitations on value, properties of disabled veterans and their survivors and \$12,000 plus 20% of assessed valuation of homestead property of persons 65 years of age or older and 100% veteran homestead.

- Inventories and Prepaid Items

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the FIFO method of inventories and are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In the fund financial statements, they are offset by non-spendable fund balance which indicates they do not represent "available spendable resources."

- Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of \$5,000 is used for equipment, \$100,000 for property and \$500,000 for infrastructure assets. Such assets are recorded at historical or estimated historical cost if purchased or constructed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-10
Infrastructure	20-35

NOTE 1: Summary of Significant Accounting Policies, *continued*

- Receivables and Payables Balances

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

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue.

- Compensated Absences

A liability for unused vacation and comp 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:

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

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County employment, an employee that has completed six months of employment shall be entitled to payment for total accrued but unused days of vacation. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond County specified limits. Once the maximum number of compensatory hours have been accumulated, employees are paid immediately for any additional compensatory hours earned. Sick leave accrues, but compensation is paid only for illness-related absences. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time is the only accrued compensation liabilities recorded.

- Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

- Interfund Activity

Inter fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

- Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

NOTE 1: Summary of Significant Accounting Policies, *continued*

- Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 deferred inflows of resources for the differences between expected and actual experience related to its pension plan and for unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- Fair Value Measurements

The County adopted GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the financial statements for the year ended September 30, 2017.

NOTE 2: Stewardship, Compliance and Accountability*A. Budgetary Information*

The County Judge and the County Auditor submit an annual budget to the Commissioners Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners Court for review, budget workshops are held with the various County department officials, and public hearings are held to address priorities and the allocation of resources. In August, the Commissioners Court adopts the annual fiscal year budgets for all County operating funds. Once approved, the Commissioners Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level.

Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

NOTE 3: Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

At September 30, 2017, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

General Fund		Value	Maturity	Quality Rating
TexPool	\$	6,045,330	< 60 days - Weighted Avg.	AAA
TexStar		2,636,820	< 60 days - Weighted Avg.	AAA
Logic		2,634,021	< 60 days - Weighted Avg.	AAA
Texas Class		3,313,529	< 60 days - Weighted Avg.	AAA
Cash in Bank		501,121		
Total	\$	15,130,821		

NOTE 3: Deposits and Investments, *continued*

Investment valuation techniques are used to determine fair value. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Municipal bond: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Government Backed Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The County has a financial arrangement with its bank and TexPool whereby TexPool will transfer funds to the bank to cover any shortfalls in the operating account.

The Public Funds Investment Act (the Act), (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is approximately the same as the value of the shares in each pool.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available online. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

A. *Investment Accounting Policy*

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County's policy regarding types of deposits allowed and collateral requirements is for the safekeeping bank to provide minimum collateral of 110% of the County deposits. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2017 were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 3: Deposits and Investments, *continued*

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk – Diversification by investment type shall be established by the following maximum percentages of investment types to the total County investment portfolio at the time of each investment transaction:

a.) U.S. Treasury Bills/Notes/Bonds	100%
b.) U.S. Agencies and Instrumentalities	85%
c.) States, Counties, Cities, and Other	50%
d.) Certificates of Deposit	100%
e.) Money Market Mutual Funds	80%
f.) Eligible Investment Pools	100%

Interest Rate Risk – In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be no longer than two years. General Fund balances at the end of the fiscal year shall have a maximum allowable maturity not to exceed three years. The maximum maturity for all construction or capital improvement funds shall not be more than five years. County funds that are considered "bond proceeds" for arbitrage purposes shall have a maximum maturity not to exceed one year. Special revenue funds are legally restricted to expenditures for a particular purpose under the direction of a certain department. They may be invested in compliance with this Policy and all applicable laws, subject to cash flow requirements with maximum maturity not to exceed three years. Agency funds are to be invested not to exceed ninety days. Registry funds maturity are not to exceed court order limits.

B. Investment Accounting Policy, continued

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County invests only in issues permitted by state law. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAm money market mutual funds registered with the SEC. TexPool is rated AAAm by Standard & Poor's. It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

NOTE 4: Receivables

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	Taxes	Fines and Fees	Accounts	Total Receivables
Government Funds				
General Fund	\$ 723,641	\$ 1,123,309	\$ 150,818	\$ 1,997,768
Road and Bridge Fund	236,246	-	540,576	776,822
Debt Service Fund	57,912		2,705	60,617
Non-major Governmental Funds			27,526	27,526
Total - Governmental Funds	\$ 1,017,799	\$ 1,123,309	\$ 721,625	\$ 2,862,733

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 5: Capital Assets

Capital assets for the period ended September 30, 2017 were as follows:

	October 1, 2016	Additions	Retirements	September 30, 2017
Governmental Activities				
Non-depreciable Assets				
Land	\$ 589,576	\$ -	\$ 1,387	588,189
Total Non-Depreciable Assets	<u>589,576</u>	<u>-</u>	<u>1,387</u>	<u>588,189</u>
Depreciable Assets				
Buildings and Improvements	19,990,879	-	-	19,990,879
Machinery and Equipment	6,716,374	1,140,089	297,704	7,558,759
Infrastructure	-	1,037,048	-	1,037,048
Total Depreciable Assets	<u>26,707,253</u>	<u>2,177,137</u>	<u>297,704</u>	<u>28,586,686</u>
Less Accumulated Depreciation:				
Buildings and Improvements	8,825,551	770,684	-	9,596,235
Machinery and Equipment	5,461,662	734,314	264,250	5,931,726
Infrastructure	-	3,988	-	3,988
Total Accumulated Depreciation	<u>14,287,213</u>	<u>1,508,986</u>	<u>264,250</u>	<u>15,531,949</u>
Governmental Activities Capital				
Assets, Net	<u>\$ 13,009,616</u>	<u>\$ 668,151</u>	<u>\$ 34,841</u>	<u>13,642,926</u>

Depreciation was charged to functions as follows:

General Administration	\$ 112,796
Financial	4,865
Judicial	34,163
Elections	3,143
Public Safety	1,322,667
Public Facilities	1,311,560
Road and Bridge	3,251,678
Health and Welfare	4,296
Conservation	3,508
	<u>\$ 6,048,676</u>

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 6: Interfund Balances and Activity

Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2017, consisted of the following:

Transfers from Non-Major Special Revenue Funds to:

Non-major Special Revenue Funds	\$ <u>480,336</u>
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Transfers to Non-Major Special Revenue Funds to:

General Fund	\$ <u>123,323</u>
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Transfers from the general fund provide additional funding for special projects and support for internal service functions.

NOTE 7: Long-Term Debt Obligations

The County's long-term debt consists of general obligation refunding bonds. Other long-term debt consists of the accrued liability for accrued liability for employee vested compensated absences, net pension liability and the net OPEB obligation.

A. *Bonds*

During 2008 the County issued \$11,570,000 in general obligation bonds with interest rates of 4.00% to 5.00% to finance the construction and equipping of a new jail and the acquisition of a site thereof. In 2015 Howard County issued \$8,705,000 in general obligation refunding bonds with interest rates of 2.00% to 4.00%.

Current requirements for bonded indebtedness of the County are accounted for in the Debt Service Fund.

Howard County, Texas has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Howard County, Texas.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 7: Long-Term Debt Obligations *continued*

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
General Obligation Bonds	\$ 8,985,000	\$	\$ 410,000	\$ 8,575,000
Other Liabilities				
Compensated Absences	176,572	8,966	8,470	177,068
Net OPEB Obligation	991,160	595,801	328,518	1,258,443
Net Pension Liability	4,981,999	4,080,965	4,624,532	4,438,432
Total Other Liabilities	<u>6,149,731</u>	<u>4,685,732</u>	<u>4,871,520</u>	<u>5,873,943</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 15,134,731</u>	<u>\$ 4,685,732</u>	<u>\$ 5,281,520</u>	<u>\$ 14,448,943</u>

Debt Service Schedule
2017 to 2033

Date	Outstanding Debt					The Bonds					Fiscal Total
	Principal	Coupon	Interest	Total P&I	Total	Principal	Coupon	Interest	Total P + I	Total	
2/15/2017	375,000	4%	15,300	390,300	398,100	35,000	2%	158,263	193,263	351,175	749,275
8/15/2017			7,800	7,800				157,913	157,913		
2/15/2018	390,000	4%	7,800	397,800	397,800	35,000	2%	157,913	192,913	350,475	748,525
8/15/2018								157,563	157,563		
2/15/2019						440,000	3%	157,563	597,563	748,525	748,525
8/15/2019								150,963	150,963		
2/15/2020						455,000	3%	150,963	605,963	750,100	750,100
8/15/2020								144,138	144,138		
2/15/2021						475,000	4%	144,138	619,138	754,963	754,963
8/15/2021								135,825	135,825		
2/15/2022						485,000	4%	735,825	620,825	748,163	748,163
8/15/2022								127,338	127,338		
2/15/2023						505,000	4%	127,338	632,825	750,837	750,837
8/15/2023								118,500	118,500		
2/15/2024						520,000	4%	118,500	638,500	747,900	747,900
8/15/2024								109,400	109,400		
2/15/2025						540,000	4%	109,400	649,400	749,350	749,350
8/15/2025								99,950	99,950		
2/15/2026						560,000	4%	99,950	659,950	750,100	750,100
8/15/2026								90,150	90,150		
2/15/2027						580,000	4%	90,150	670,150	750,150	750,150
8/15/2027								80,000	80,000		
2/15/2028						600,000	4%	80,000	680,000	748,000	748,000
8/15/2028								68,000	68,000		
2/15/2029						625,000	4%	68,000	693,000	748,500	748,500
8/15/2029								55,500	55,500		
2/15/2030						655,000	4%	55,500	710,500	752,900	752,900
8/15/2030								42,400	42,400		
2/15/2031						680,000	4%	42,400	722,400	751,200	751,200
8/15/2031								28,800	28,800		
2/15/2032						705,000	4%	28,800	733,800	748,500	748,500
8/15/2032								14,700	14,700		
2/15/2033											
	<u>765,000</u>		<u>30,900</u>	<u>795,900</u>	<u>795,900</u>	<u>735,000</u>	4%	<u>14,700</u>	<u>749,700</u>	<u>749,700</u>	<u>749,700</u>
						<u>8,630,000</u>		<u>3,920,538</u>	<u>11,951,025</u>	<u>11,950,537</u>	<u>12,746,687</u>

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 8: Long-Term Lease Obligations

The county leases equipment under non-cancelable operating leases. Total costs for such leases were \$36,445 for the year ended September 30, 2017. The future payments for these leases are:

Year Ending September 30	Amount
2018	\$ 21,902
2019	19,339
2020	13,345
2021	12,405

NOTE 9: Compensated Absences

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting but are reflected in the government-wide financial statements. At September 30, 2017, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$1,052,870. Included in this amount is \$183,202 in accumulated unpaid vacation of which \$6,134 belongs to the proprietary fund.

NOTE 10: Deferred Outflows and Inflows of Resources

Adjustments required for government-wide Statement of Net Position decreased unavailable revenue by \$4,925,808.

Deferred outflows and inflows of resources in the government-wide Statement of Net Position at September 30, 2017 consisted of the following:

	Original Amount	Established	Recognition Period	Recognized in Current Year	Inflows	Outflows
Investment (gains) or losses						
\$ 212,681	12/31/2016	5.0	\$ 42,536	\$	\$ 170,145	
2,511,890	12/31/2015	5.0	502,378		1,507,134	
389,267	12/31/2014	5.0	77,853		155,707	
Economic/demographic (gains) or losses						
(275,957)	12/31/2016	4.0	(68,989)	(206,968)		
116,885	12/31/2015	4.0	29,221			58,443
91,161	12/31/2014	4.0	22,790			22,790
Assumption charges or inputs						
-	12/31/2016	4.0	-			327,259
436,345	12/31/2015	4.0	109,086			218,172
\$ -	12/31/2014	4.3	\$ -	\$	\$	-
Employer contributions made subsequent to measure date						
-----Employer Determined-----						

- (1) Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 11: Risk Management

The county is exposed to various risks of loss related to general liability, workers compensation, automobile liability, and property damage. To reduce its risk exposure in these areas, the county contracts with USI Southwest, Inc., Inc. to provide coverage for property/commercial equipment, general liability, crime, commercial automobile, public officials liability/employment practices liability and law enforcement liability.

All full-time eligible employees are provided, at no cost to the employee, medical and dental insurance. For employees with dependents covered prior to 10-1-99, the cost to the employee is \$100 per month. At 9-30-17 there were 4 employees in this category. For those dependents covered at or after 10-1-99, the entire cost for dependent coverage is paid by the employee. Coverage is provided by Blue Cross/Blue Shield Insurance Company. The County's obligation for health insurance benefits is limited to the monthly premiums payable during the year and is based upon the number of enrolled employees and dependents during the year. At 9-30-17, the number of enrolled employees is 141 for medical insurance and 144 for dental insurance.

A \$10,000 life insurance policy, through Blue Cross/Blue Shield Insurance Company, is provided full-time eligible employees, at no cost to the employee. Also, a policy is provided through the Texas County and District Retirement System in an amount equal to the employee's annual salary at the date of death.

NOTE 12: Retirement Plan

Defined Benefit Pension Plan (Source: TCERS)

Plan Description—Howard County participates in the Texas County & District Retirement System (TCERS), which is a statewide, agent multiple-employer, public employee retirement system.

A brief description of benefits follows:

- 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCERS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
- 4) There are no automatic Cost of Living Adjustments (COLAs). Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
- 5) Benefit terms are established under the TCERS Act. They may be amended as of Jan. 1 each year but must remain in conformity with the Act.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 12: Retirement Plan *continued*

Pension Membership information is shown in the following chart		
	12/31/2015	12/31/2016
Number of inactive employees entitled to but not yet receiving benefits	108	108
Number of active employees	173	168
Average monthly salary *	\$ 3,543	\$ 3,392
Average age*	47.11	46.27
Average length of service in years*	8.35	10.41
Inactive Employees (or their Beneficiaries Receiving Benefits)		
Number of benefit recipients	114	120
Average monthly benefit	\$ 1,474	\$ 1,515
<i>NOTE: Average reported for all active and inactive employees. They differ from the prior year's report, which included all active and inactive members. Average service includes all proportionate service.</i>		

The County's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Howard County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2013, 2014, 2015, and 2016 are shown below:

Schedule of Employer Contributions

Year Ending December 31	Actuarily Determined Contributions (1)	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2013	\$ 933,873	\$ 1,033,871	\$ (99,999)	\$ 5,891,943	17.50%
2014	1,069,194	1,369,194	(300,000)	6,356,686	21.50%
2015	1,126,613	1,497,831	(371,218)	7,121,444	21.00%
2016	1,006,406	1,482,936	(476,531)	7,032,886	21.10%
(1) TDCRS calculates actuarially determined contribution on a calendar year basis. GASB Statement No.68 indicates the employer should report employer contribution amounts on a fiscal year basis					
(2) Payroll is calculated based on contributions as reported to TCDRS.					

The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 12: Retirement Plan *continued*

Actuarial Methods and Assumptions

Following are the key assumptions and methods used in the GASB analysis:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal (1)
Asset Valuation Method:	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Investment Rate of Return	8.10%
Salary Increase	1.40%
Payroll Growth	3.50%
(1) individual entry age normal cost method as required by GASB 68, used for GASB calculation. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.	

Mortality – Rates were based on the following:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The valuation assumptions for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 12: Retirement Plan *continued*

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:			
		Geometric Real	
		Rate of Return	
Asset	Target	(Expected Minus	
Class	Allocation	Inflation)	
US Equities	13.50%	4.70%	
Private Equity	16.00%	7.70%	
Global Equities	1.50%	5.00%	
Internal Equities-Developed	10.00%	4.70%	
Internal Equities-Emerging	7.00%	5.70%	
Investment-Grade Bonds	3.00%	0.60%	
High-Yield Bonds	3.00%	3.70%	
Opportunistic Credit	2.00%	3.83%	
Direct Lending	10.00%	8.15%	
Distressed Debt	3.00%	6.70%	
REIT Equities	2.00%	3.85%	
Master Limited Partnerships	3.00%	5.60%	
Private Real Estate Partnerships	6.00%	7.20%	
Hedge Funds	20.00%	3.85%	

	December 31, 2015	December 31, 2016
Discount Rate (1)	8.10%	8.10%
Long-term expected rate of return, net of investment expense	8.10%	8.10%
(1) This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.		

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 12: Retirement Plan *continued*

Sensitivity Analysis				
The following presents the net pension liability of the county/district calculated using the discount rate of 8.10%, as well as what the Howard County net pension liability would be if it were calculated using a discount rate that is 1% lower (7.10%) and 1% higher (9.10%) than the current rate.				
	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%	
Total pension liability	\$ 42,570,707	\$ 38,265,676	\$ 34,640,741	
Fiduciary net position	33,827,244	33,827,244	33,827,244	
Net pension liability/(asset)	\$ 8,743,463	\$ 4,438,432	\$ 813,497	

Pension Expense

Pension Expense / (Income)	January 1, 2016 to December 31, 2016
Service Cost	\$ 1,128,248
Interest on total pension liability (1)	2,927,248
Effect of plan changes	-
Administrative expenses	25,469
Member Contributions	(492,302)
Expected investment return net of investment expenses	(2,557,464)
Recognition of deferred inflows/outflows of resources	-
Recognition of economic/demographic gains or losses	(16,978)
Recognition of assumption changes or inputs	109,086
Recognition of investment gains or losses	622,768
Other (2)	(28,554)
Pension expense/(income)	<u>\$ 1,717,521</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest

(2) Relates to allocation of system-wide items.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 13: Employee Benefits

Life Insurance

Howard County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by TCDRS. This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group-term life insurance coverage to current eligible employees and, as elected by the employer, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits. Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to the Texas County & District Retirement System, P. O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS' CAFR is also available at www.tcdrs.org.

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Howard County contributions to the GTLF for the years ended September 30, 2015, 2015, and 2017 were \$31,971, \$29,069 and \$25,517 respectively, which equaled the contractually required contributions each year which included employees and retirees.

NOTE 14: Fund Balance

The County classifies governmental fund balance in the following categories:

Nonspendable—this classification includes amounts that cannot be spent because they: (a) are not in spendable form (e.g. inventories and prepaid items); (b) are not expected to be converted into cash within the current period or at all (e.g., long-term receivables); or (c) are legally or contractually required to be maintained intact (e.g., the non-spendable corpus or an endowment).

Restricted—this classification includes amounts subject to usage constraints that have either been: (a) externally imposed by creditors (e.g., through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed—this classification includes amounts that are constrained to use for specific purposes pursuant to formal action of the Commissioners Court. These amounts cannot be used for other purposes unless the Court removes or changes the constraints via the same type of action used to initially commit them.

Assigned—this classification includes amounts intended by the county for use for a specific purpose, but which do not qualify for classification as either restricted or committed. The intent can be expressed by Commissioners Court or by a Court designee (e.g., a department head). This classification applies to the positive unrestricted and uncommitted fund balances of all governmental funds except the General Fund.

Unassigned- This classification applies to the residual fund balances of the General Fund and to any deficit fund balances of other governmental funds.

Order of spending: Where appropriate, Howard County will typically use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but it reserves the right to deviate from this general strategy.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 14: Fund Balance, *continued*

Reconciliation of government-wide and fund financial statements

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, and not due and payable in the current period and therefore are not reported in the funds.” The details of this \$9,185,698 are as follows.

Bonds Payable:	
Due within one year	\$ 425,000
Due in more than one year	8,560,000
Accrued interest payable	23,630
Compensated Absences Payable	<u>177,068</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	\$ 9,185,698

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “some expenses reported in the statement of activity that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds”. The details of this \$325,941 difference are as follows:

Depreciation	\$ 998,079
Interest payable related to prior period	23,630
Increase in compensated absences	496
Increase in inventory	-20,275
Purchase of capital assets	-1,128,140
Interest payable not liquidated with current resources	-25,608
Convert debt principal payments to liability reduction	-410,000
Pension	235,877
Net adjustment	\$ 325,941

NOTE 15: Postemployment Healthcare Benefits

Plan Description. The Retiree Health Care Plan provides health care benefits to eligible retirees. These retiree benefits are authorized by the Commissioners’ Court and are considered a substantive plan under GASB 45.

Plan Eligibility. A retiree who became employed with Howard County on or before August 25, 2003, and who retired or retirees under Texas County and District Retirement System (TCDRS), and a) who is age 65 or older with at least 12 year service with Howard County, or b) whose age plus years of service with Howard County equals at least 75, will be allowed to continue to receive benefits in the County’s health program at the same level as currently employed County employees, at no cost to the retiree.

A TCDRS retiree who became employed with Howard County on or before August 2003, and who does not meet the requirements set out in a) or b), above, will be allowed to continue to receive benefits in the County’s health program at the same level as currently employed County employees, at a cost to the retiree of 50 percent of the premium. Once the retiree meets the requirements above (i.e. turns 65 with 12 years service with Howard County or whose age plus years of service with Howard County equals 75), the County will pay the full premium.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 15: Postemployment Healthcare Benefits, *continued*

A TCDRS retiree who became employed with Howard County on or before August 25, 2003, and who retires or retired because of a disability will be allowed to continue to receive benefits in the County's health program at the same level as currently employed County employees, at no cost to the retiree, regardless of age or years of service.

Employees hired by Howard County after August 25, 2003, will not be eligible for retiree health insurance benefits, regardless of age, years of service or disability status.

Health Care and Other Benefits. Retiree medical coverage for eligible retirees is the same as coverage provided to active County employees in accordance with the terms and conditions of the current health care coverage.

Funding Policies. The County does not make annual contributions to the plan. The decision to provide these benefits is made by the Commissioners' Court on a year-to-year basis. The cost of health insurance benefits is recognized as an expenditure as premiums are paid.

GASB 45 requires the use of a discount rate consistent with the investment return on the employer's general assets. In the valuation, the discount rate is 4.0%.

The actuarially determined contribution requirement for the County's fiscal year is computed through an actuarial valuation performed as of October 1, 2016. The actuarial valuation is performed to determine the adequacy of the contribution rate, to describe the current financial condition of OPEB and to analyze changes in conditions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the plan and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Actuarial Methods and Assumptions

Actuarial Method	Projected Unit Cost Method
Discount Rate	4.00% (1.00% real rate of return plus 3.00% inflation)
Amortization Period	The period used to determine amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level period for 30 years
Health Care Cost Trend	7.5% for FY 2017 grading down to 5.00% for FY 2020 and after for medical. The Medicare supplement trend is a level 5.00%

The County's Annual OPEB Cost Summary, Projected September 30, 2016 Net OPEB Obligation (NOO), and Projected Schedule of Funding Progress follow:

Fiscal Year Ending	<u>Annual OPEB Cost Summary</u>		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
September 30, 2015	\$ 501,514	62.40%	\$ 710,448
September 30, 2016	\$ 618,773	54.63%	\$ 991,160
September 30, 2017	\$ 595,801	55.14	\$ 1,258,443

Based on Expected Net OPEB Payments of \$304,913 for the current fiscal year.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 15: Postemployment Healthcare Benefits, *continued*

Projected September 30, 2017 Net OPEB Obligation (NOO)	
October 1, 2016 Net OPEB Obligation (NOO)	991,160
Annual OPEB Cost (AOC)	595,801
Expected Net OPEB Payments*	(328,518)
Expected September 30, 2017 Net OPEB Obligation	1,258,443
*includes actual FY 2017 contribution payments of \$304,913.	

Plan Description

The County provides certain health care benefits through a single-employer defined benefit OPEB plan. Permanent full-time employees who retire under TCDRS eligibility rules are eligible to participate in the County's health care plan as a retiree at their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 30 years of service or at age 60 with 8 years of service or when the retirees age plus years of service equals 75. Spouses and dependents of retirees are also eligible. As of the date of the latest actuarial valuation, the County has 504 active employees and 40 retirees participating in the plan.

When a regular, full-time employee retires and is currently enrolled in the health care plan, they are eligible to continue to participate in the County's group health insurance and prescription plans. Members who terminate employment prior to retirement are not eligible for retiree health care benefits.

Retirees may purchase retiree health care coverage for eligible spouses and dependents at their own expense. Surviving spouses and dependents of deceased retired members may continue retiree health care coverage up to age 65 for spouses and to age 25 for dependents.

NOTE 16: Abatements

The County has entered into tax abatement agreements with four electric generation wind farms operating in the County. Three of the tax abatements agreements are with Duke Energy (58.8 Megawatts), NRG Energy (121.9 Megawatts) and E.ON Energy (36 Megawatts) and cover a period from 2009 through 2018. A fourth tax abatement agreement with Gunsight Mountain Wind Energy, LLC (120 Megawatts) was entered into in 2014 and covers a 10-year term beginning after the commencement of commercial operations which is reflected in the contract as of a date no later than December 31, 2017. The abatement agreements provide for a 100% abatement of County ad valorem taxes on the wind farms for the term of each agreement and the obligations under the abatement agreements are for annual payments in lieu of taxes to the County at a rate of \$1,025 per Megawatt with a 2.5% annual escalator for all except Gunsight Mountain Wind Energy which is at a rate of \$1,100 per Megawatt with no annual escalator. Annual payments to the County resulting from the three agreements currently operating were approximately \$264,028 in fiscal year 2016-17.

Howard County, Texas
Notes to Financial Statements
September 30, 2017

NOTE 17: Grants/Federal Assistance

The County was awarded the following state grant assistance during the fiscal year:

- 1) \$16,524 from the Office of Attorney General, #1771153, for Statewide Automated Victim Notification Services (SAVNS)
- 2) \$35,278 (estimate) from the Texas Task Force on Indigent Defense, #212-16-114, for indigent defense services.
- 3) CTIF-01-115 County Transportation Infrastructure Fund Grant Program (Road Grant), an agreement made by and between the State of Texas, acting by and through the TX Department of Transportation. \$1,332,280.

Recap follows:

	State Reimbursed 80% of Total Paid	Paid:	Admin	Employee Labor	Equipment Usage	Materials Contract Labor	Legal	Total Paid
Invoice 12	\$ 353,165.35	16-17 FY	-	-	-	\$ 441,456.69	-	\$ 441,456.69
Invoice 13	277,845.86	16-17 FY	-	-	-	347,307.33	-	347,307.33
Invoice 14	215,230.04	16-17 FY	-	-	-	269,037.36	-	269,037.36
Invoice 15	486,039.10	16-17 FY	-	-	-	607,548.87	-	607,548.87
TOTAL								<u>\$1,665,350.25</u>

NOTE 18: Subsequent Event

There are no noted subsequent events as of March 21, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

HOWARD COUNTY, TEXAS
General Fund Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual
Revenue:			
Taxes	\$ 8,579,353	\$ 9,015,000	\$ 9,185,190
License and permits	3,400	3,400	6,902
Intergovernmental	924,654	948,954	976,206
Charges for services	1,467,470	1,656,670	1,707,548
Fines and fees	558,700	639,850	601,345
Change in Inventory		20,275	20,275
Miscellaneous/Interest on Invest.	287,650	840,250	866,962
Total Revenue	<u>11,821,227</u>	<u>13,124,399</u>	<u>13,364,438</u>
Expenditures:			
General government	5,973,920	5,794,907	5,640,685
Road Maintenance			
Public Safety	4,546,031	5,058,659	4,803,393
Health/welfare	11,790	11,790	4,298
Conservation of natural resources	115,025	126,087	119,307
Culture and recreation	447,950	449,503	344,286
Intergovernmental	1,296,846	1,170,879	1,170,774
Capital Expenditures	50,000	820,750	672,908
Other & Inventory	32,400		
Total Expenditures	<u>12,473,962</u>	<u>13,432,575</u>	<u>12,755,651</u>
Excess (deficiency) of revenues over expenditures	(652,735)	(328,451)	608,777
Other financing sources (uses)			
Transfer in			123,323
Transfer out	(1,833,281)	(1,376,667)	(480,336)
Total other financing sources (uses)	<u>(1,833,281)</u>	<u>(1,376,667)</u>	<u>(357,013)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,486,016)	(1,705,118)	251,764
Fund balance - October 1 2016	7,500,000	7,459,546	8,048,827
Fund balance - September 30, 2017	\$ <u><u>5,013,984</u></u>	\$ <u><u>5,774,703</u></u>	\$ <u><u>8,300,591</u></u>

HOWARD COUNTY, TEXAS

Road and Bridge

Budgetary Comparison Schedule

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual
Revenue:			
Taxes	\$ 2,698,510	\$ 2,825,000	\$ 2,903,912
License and permits	610,250	610,250	656,745
Intergovernmental	52,500	1,384,781	1,423,593
Charges for services	-	-	-
Fines and fees	-	-	-
Miscellaneous/Interest on Invest.	5,000	5,000	18,587
Total Revenue	<u>3,366,260</u>	<u>4,825,031</u>	<u>5,002,837</u>
Expenditures:			
General government			
Road Mmainenance	3,460,942	4,757,839	4,590,442
Public Safety			
Health/welfare			
Conservation of natural resources			
Culture and recreation			
Intergovernmental			
Capital Expenditures			
Other			
Total Expenditures	<u>3,460,942</u>	<u>4,757,839</u>	<u>4,590,442</u>
Excess (deficiency) of revenues over expenditures	(94,682)	67,192	412,395
Other financing sources (uses)			
Transfer in	-	-	-
Transfer out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(94,682)	67,192	412,395
Fund balance - October 1 2016	800,000	1,853,003	2046,820
Fund balance - September 30, 2017	\$ <u>705,318</u>	\$ <u>1,920,195</u>	\$ <u>2,459,215</u>

HOWARD COUNTY, TEXAS
Contingency Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual
Revenue:			
Taxes	\$	\$	\$
License and permits			
Intergovernmental	10,850	10,850	18,744
Charges for services	-	-	-
Fines and fees	-	-	-
Miscellaneous/Interest on Invest.	7,000	7,000	20,343
Total Revenue	<u>17,850</u>	<u>17,850</u>	<u>39,087</u>
Expenditures:			
General government			
Road Maintenance			
Public Safety			
Health/welfare			
Conservation of natural resources			
Culture and recreation			
Intergovernmental			
Capital Expenditures	2,454,850	2,454,850	121,625
Other			
Total Expenditures	<u>2,454,850</u>	<u>2,454,850</u>	<u>121,625</u>
Excess (deficiency) of revenues over expenditures	(2,437,000)	(2,437,000)	(82,538)
Other financing sources (uses)			
Transfer in	200,000	200,000	200,000
Transfer out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	200,000	200,000	200,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,237,000)	(2,237,000)	117,462
Fund balance - October 1 2016	2,237,000	2,239,587	2,239,587
Fund balance - September 30, 2017	\$ <u><u>-</u></u>	\$ <u><u>2,587</u></u>	\$ <u><u>2,357,049</u></u>

HOWARD COUNTY, TEXAS
Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual
Revenue:			
Taxes	\$ 617,746	\$ 618,546	\$ 650,212
License and permits			
Intergovernmental			
Charges for services			
Fines and fees			
Miscellaneous/Interest on Invest.	500	500	981
Total Revenue	618,246	619,046	651,193
Expenditures:			
General government			
Road Maintenance			
Public Safety			
Health/welfare			
Conservation of natural resources			
Culture and recreation			
Intergovernmental			
Capital Expenditures			
Debt service	750,025	750,825	750,825
Total Expenditures	750,025	750,825	750,825
Excess (deficiency) of revenues over expenditures	(131,779)	(131,779)	(99,632)
Other financing sources (uses)			
Transfer in	-	-	-
Transfer out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(131,779)	(131,779)	(99,632)
Fund balance - October 1 2016	180,000	195,392	246,904
Fund balance - September 30, 2017	\$ 48,221	\$ 63,613	\$ 147,272

HOWARD COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System for Fiscal Year 2017

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a Percentage of Covered Payroll
2007	\$ 714,027	\$ 714,027	\$ -	\$ 4,744,369	15.1%
2008	687,320	687,320	-	4,653,489	14.8%
2009	783,301	783,301	-	5,063,354	15.5%
2010	811,104	811,104	-	5,290,958	15.3%
2011	843,077	843,077	-	5,572,234	15.1%
2012	907,554	969,124	(61,570)	5,806,488	16.7%
2013	933,873	1,033,871	(99,998)	5,891,943	17.6%
2014	1,069,194	1,369,194	(300,000)	6,356,686	21.5%
2015	1,126,613	1,497,831	(371,218)	7,121,444	21.0%
2016	\$ 1,006,406	\$ 1,482,936	\$ (476,530)	\$ 7,032,886	21.1%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS

HOWARD COUNTY, TEXAS
Schedule of Changes in Pension Liability
Texas County & District Retirement System for Fiscal Year 2017

Changes in Pension Liability /(Asset)			
	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Changes in Net Pension Liability { Assets }	(a)	(b)	(a)-(b)
Balances at December 31, 2015	\$ 36,643,314	\$ 31,661,315	\$ 4,981,999
Changes for the year:			-
Service cost	1,128,248		1,128,248
Interest on total pension liability-(1)	2,927,248		2,927,248
Effect of plan changes-(2)	-		-
Effect of economic/demographic gains/losses	(275,957)		(275,957)
Effect of assumptions changes or inputs	-		-
Refund of contributions	(60,335)	(60,335)	-
Benefit payments	(2,096,843)	(2,096,843)	-
Administrative expenses		(25,469)	25,469
Member contributions		492,302	(492,302)
Net investment income		2,344,783	(2,344,783)
Employer contributions		1,482,936	(1,482,936)
Other-(3)	-	28,554	(28,554)
Balances as of December 31, 2016	\$ 38,265,675	\$ 33,827,243	\$ 4,438,432

(1) Reflects the change in liability due to the time value of money. TCDRS does not charge fees or interest

(2) Reflects new annuity purchase rates application to all TCDRS employers effective January 1, 2018

(3) Related to allocation of system-wide items

Howard County, Texas
Required Supplementary Information
Schedule of Funding Progress, Postemployment Healthcare Benefits September 30, 2017

	Actuarial Value of Assets	Actuarial Accrued Liability Project Unit Credit	Unfunded Actuarial Accrued Liability (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)]/(c)
	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/(c)
October 1 2013	0	\$ 7,203,561	\$ 7,203,561	0%	\$ 5,389,788	133.65%
October 1 2014	0	7,518,364	7,518,364	0%	6,009,539	121.86%
October 1 2015	0	9,315,564	9,315,594	0%	6,009,539	155.01%
October 1 2016*	0	9,274,879	9,274,879	0%	938,618*	988.14%

*Covered payroll for FY2017 includes only the payroll for employees hired on or before 8/25/2003

Howard County, Texas
Notes to Required Supplementary Information
September 30, 2017

NOTE A: BUDGETARY INFORMATION

The County follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners Court.
2. Commissioners Court holds budget sessions with each department head.
3. Commissioners Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-1 or 689A-20 of Vernon's Annotated Civil Statutes.
7. Annual budgets are legally adopted for the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.
8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2017 budget were approved by the Commissioners Court as provided by law.
9. Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

Howard County, Texas
Notes to Required Supplementary Information
September 30, 2017

NOTE B: Net Pension Liability - Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	7.4 years (based on contribution rate calculate in 12/31/2016 valuation)
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Varies by age and service. 4.9%, average, including inflation
Investment rate of return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at services retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions. 2016: No changes in plan provisions.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINED FINANCIAL STATEMENTS

HOWARD COUNTY, TEXAS
Non-major Governmental Funds
Combining Balance Sheet
September 30, 2017

Fund Number	152	170	190	220
	Tax Increment Fund	Law Library Fund	Indigent Health Care Fund	Courthouse Security Fund
ASSETS				
Cash and cash equivalents	\$ 10,575	61,638	\$ 5,335	\$ 4,516
Interest receivable	-	-	-	-
Accounts receivable (net)	-	3,565	-	-
Due from other funds	-	-	-	-
Total assets	<u>10,575</u>	<u>65,203</u>	<u>5,335</u>	<u>14,516</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	6,160	54	-
Payroll Liabilities	-	-	4,216	2,355
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>6,160</u>	<u>4,270</u>	<u>2,355</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	10,575	59,043	-	12,161
Unclaimed Funds	-	-	-	-
Human Services	-	-	1,065	-
Total fund balance	<u>10,575</u>	<u>59,043</u>	<u>1,065</u>	<u>12,161</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,575</u>	<u>65,203</u>	<u>\$ 5,335</u>	<u>\$ 14,516</u>

HOWARD COUNTY, TEXAS
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	221	226	227	228
	Justice Court Bldg. Security Fund	Child Abuse Prevention Fund	Records Management Court Fees Fund	Records Archive Co. Clerk Fund
ASSETS				
Cash and cash equivalents	\$ 34,444	\$ 3,189	\$ 6,568	\$ 587,814
Interest receivable	-	-	-	-
Accounts receivable (net)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>34,444</u>	<u>3,189</u>	<u>6,568</u>	<u>587,814</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	-	-	-
Payroll Liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	34,444	3,189	6,568	587,814
Unclaimed Funds	-	-	-	-
Human Services	-	-	-	-
Total fund balance	<u>34,444</u>	<u>3,189</u>	<u>6,568</u>	<u>587,814</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 34,444</u>	<u>\$ 3,189</u>	<u>\$ 6,568</u>	<u>\$ 587,814</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	229	230	231	232
	Vital Records Preservation Co Clerk Fund	Record Management Document Filing Fee Fund	Records Management Court Fees Fund	Juvenile Delinquency Prevention Fund
ASSETS				
Cash and cash equivalents	\$ 20,404	\$ 128,790	\$ 39,662	\$ 25
Interest receivable	-	-	-	-
Accounts receivable (net)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>20,404</u>	<u>128,790</u>	<u>39,662</u>	<u>25</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	4,561	7,472	-
Payroll Liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>4,561</u>	<u>7,472</u>	<u>-</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	20,404	124,229	32,190	25
Unclaimed Funds	-	-	-	-
Human Services	-	-	-	-
Total fund balance	<u>20,404</u>	<u>124,229</u>	<u>32,190</u>	<u>25</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 20,404</u>	<u>\$ 128,790</u>	<u>\$ 39,662</u>	<u>\$ 25</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	234	235	236	237
	Justice Court Technology Fund	District Court Records Technology Fund	Alternative Dispute Resolution Fund	County Court Technology Fund
ASSETS				
Cash and cash equivalents	\$ 41,712	\$ 40,511	\$ 5,772	\$ 1,546
Interest receivable	-	-	-	-
Accounts receivable (net)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>41,712</u>	<u>40,511</u>	<u>5,772</u>	<u>1,546</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	-	-	-
Payroll Liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	41,712	40,511	5,772	1,546
Unclaimed Funds	-	-	-	-
Human Services	-	-	-	-
Total fund balance	<u>41,712</u>	<u>40,511</u>	<u>5,772</u>	<u>1,546</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 41,712</u>	<u>\$ 40,511</u>	<u>\$ 5,772</u>	<u>\$ 1,546</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	238	239	240	241
	District Court Technology Fund	District Court Records Archive Fund	District Court Building Fund	District Court Records Preservation Fund
ASSETS				
Cash and cash equivalents	\$ 1,282	\$ 9,680	\$ -	\$ 55,902
Interest receivable	-	-	-	-
Accounts receivable (net)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>1,282</u>	<u>9,680</u>	<u>-</u>	<u>55,902</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	-	-	-
Payroll Liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	1,282	9,680	-	55,902
Unclaimed Funds	-	-	-	-
Human Services	-	-	-	-
Total fund balance	<u>1,282</u>	<u>9,680</u>	<u>-</u>	<u>55,902</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,282</u>	<u>\$ 9,680</u>	<u>\$ -</u>	<u>\$ 55,902</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	242	243	245	249
	County Court Records Preservation Fund	FEMA Fund	County Attorney Diversionary Fund	County Library Donation Fund
ASSETS				
Cash and cash equivalents	\$ 1,068	\$ 148,879	\$ 64,567	\$ 109,681
Interest receivable	-	-	-	-
Accounts receivable (net)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>1,068</u>	<u>148,879</u>	<u>64,567</u>	<u>109,681</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	-	350	-
Payroll Liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>350</u>	<u>-</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	1,068	148,879	64,217	109,681
Unclaimed Funds	-	-	-	-
Human Services	-	-	-	-
Total fund balance	<u>1,068</u>	<u>148,879</u>	<u>64,217</u>	<u>109,681</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,068</u>	<u>\$ 148,879</u>	<u>\$ 64,567</u>	<u>\$ 109,681</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	306	307	308	309
	Election Admin. Fund	LEOSE District Attorney Fund	LEOSE Sheriff Fund	Sheriff Donations Fund
ASSETS				
Cash and cash equivalents	\$ 48,765	\$ 5,267	\$ 4,336	\$ 2,975
Interest receivable	-	-	-	-
Accounts receivable (net)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>48,765</u>	<u>5,267</u>	<u>4,336</u>	<u>2,975</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	-	-	-
Payroll Liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	48,765	5,267	4,336	2,975
Unclaimed Funds	-	-	-	-
Human Services	-	-	-	-
Total fund balance	<u>48,765</u>	<u>5,267</u>	<u>4,336</u>	<u>2,975</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 48,765</u>	<u>\$ 5,267</u>	<u>\$ 4,336</u>	<u>\$ 2,975</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	310	311	312	313
	Cash Bond Fund	Court Cost Fund	MHMR Officers Fund	School Res Officer Fund
ASSETS				
Cash and cash equivalents	\$ 56,875	\$ 130,654	\$ 12,715	\$ 533
Interest receivable	-	-	-	-
Accounts receivable (net)	-	90	21,363	1,726
Due from other funds	-	-	-	-
Total assets	<u>56,875</u>	<u>130,744</u>	<u>34,078</u>	<u>2,259</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	-	130,744	10	-
Payroll Liabilities	-	-	7,714	2,247
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>130,744</u>	<u>7,724</u>	<u>2,247</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	56,875	-	26,354	12
Unclaimed Funds	-	-	-	-
Human Services	-	-	-	-
Total fund balance	<u>56,875</u>	<u>-</u>	<u>26,354</u>	<u>12</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 56,875</u>	<u>\$ 130,744</u>	<u>\$ 34,078</u>	<u>\$ 2,259</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	314	941	890	930
	Scofflaw Fund	Assessor Collector Special Inventory Fund	County Attorney Hot Check Fund	Sheriff Drug Seizure Fund
ASSETS				
Cash and cash equivalents	\$ 5,450	\$ 7,069	\$ 9,674	\$ 28,737
Interest receivable	-	-	-	-
Accounts receivable (net)	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>5,450</u>	<u>7,069</u>	<u>9,674</u>	<u>28,737</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	358	-	18	-
Payroll Liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>358</u>	<u>-</u>	<u>18</u>	<u>-</u>
Fund balance:				
Nonspendable				
Inventory	-	-	-	-
Restricted for				
General Government	5,092	7,069	9,656	28,737
Unclaimed Funds	-	-	-	-
Human Services	-	-	-	-
Total fund balance	<u>5,092</u>	<u>7,069</u>	<u>9,656</u>	<u>28,737</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,450</u>	<u>\$ 7,069</u>	<u>\$ 9,674</u>	<u>\$ 28,737</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	920	951	950	940
	District Attorney Drug Seizure Fund	Unclaimed Money Fund	Abandoned Property Fund	Chapter 19 Fund
ASSETS				
Cash and cash equivalents	\$ 167,882	\$ 11,609	\$ 19,100	\$ (146)
Interest receivable	-	-	-	-
Accounts receivable (net)	-	-	-	146
Due from other funds	-	-	-	-
Total assets	<u>167,882</u>	<u>11,609</u>	<u>19,100</u>	<u>-</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	2,403	-	429	-
Payroll Liabilities	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>2,403</u>	<u>-</u>	<u>429</u>	<u>-</u>
Fund balance:				
Nonspendable				
Inventory				
Restricted for				
General Government	165,479	-	18,671	-
Unclaimed Funds	-	11,609	-	-
Human Services	-	-	-	-
Total fund balance	<u>165,479</u>	<u>11,609</u>	<u>18,671</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 167,882</u>	<u>\$ 11,609</u>	<u>\$ 19,100</u>	<u>\$ -</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Balance Sheet
September 30, 2017

Fund Number	935	
	Jail Commissary Fund	Total Non-major Special Revenue Funds
ASSETS		
Cash and cash equivalents	\$ 48,643	\$ 1,953,698
Interest receivable	-	-
Accounts receivable (net)	-	26,890
Due from other funds	-	-
Total assets	<u>48,643</u>	<u>1,980,588</u>
LIABILITIES AND FUND BALANCES		
Liabilities		-
Accounts payable	2,007	154,566
Payroll Liabilities	-	16,532
Due to other funds	-	-
Total liabilities	<u>2,007</u>	<u>171,098</u>
Fund balance:		
Nonspendable	-	-
Inventory	-	-
Restricted for		
General Government	46,636	1,796,816
Unclaimed Funds	-	11,609
Human Services	-	1,065
Total fund balance	<u>46,636</u>	<u>1,809,490</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>48,643</u>	\$ <u>1,980,588</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	152	170	190	220
	Tax Increment Fund	Law Library Fund	Indigent Health Care Fund	Courthouse Security Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Total revenues				
Taxes	\$ 10,534	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Program Income	-	-	-	-
Fines and fees	-	18,876	-	26,004
Investment earnings/Interest	41	398	-	139
Donations	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>10,575</u>	<u>19,274</u>	<u>-</u>	<u>26,143</u>
EXPENDITURES				
Current				
General government	-	24,993	-	87,924
Health and welfare	-	-	158,209	-
Capital Expenditures	-	-	-	-
Total expenditures	<u>0</u>	<u>24,993</u>	<u>158,209</u>	<u>87,924</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	10,575	(5,719)	(158,209)	(61,781)
OTHER FINANCING SOURCES				
Transfers In	-	-	158,000	55,000
Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>158,000</u>	<u>55,000</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	10,575	(5,719)	(209)	(6,781)
FUND BALANCES -BEGINNING	-	64,762	1,274	18,942
FUND BALANCES - END OF YEAR	<u>\$ 10,575</u>	<u>\$ 59,043</u>	<u>\$ 1,065</u>	<u>\$ 12,161</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	221	226	227	228
	Justice Court Bldg. Security Fund	Child Abuse Prevention Fund	Records Management Court Fees Fund	Records Archive Co. Clerk Fund
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Program Income	-	-	-	-
Fines and fees	2,443	318	3,439	137,478
Investment earnings/Interest	226	20	45	3,409
Donations	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>2,669</u>	<u>338</u>	<u>3,484</u>	<u>140,887</u>
EXPENDITURES				
Current				
General government	-	-	4,103	-
Health and welfare	-	-	-	-
Capital Expenditures	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>4,103</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	2,669	338	3,484	140,887
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,669	338	3,484	140,887
FUND BALANCES -BEGINNING	<u>31,775</u>	<u>2,851</u>	<u>7,187</u>	<u>446,927</u>
FUND BALANCES - END OF YEAR	<u>\$ 34,444</u>	<u>\$ 3,189</u>	<u>\$ 6,568</u>	<u>\$ 587,814</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	229	230	231	232
	Vital Records Preservation Co Clerk Fund	Record Management Document Filing Fee Fund	Records Management Court Fees Fund	Juvenile Delinquency Prevention Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Program Income	-	-	-	-
Fines and fees	2,654	137,962	12,756	-
Investment earnings/Interest	149	1,847	224	-
Donations	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>2,803</u>	<u>139,809</u>	<u>12,980</u>	<u>-</u>
EXPENDITURES				
Current				
General government	5,531	255,462	3,581	-
Health and welfare	-	-	-	-
Capital Expenditures	-	-	7,689	-
Total expenditures	<u>5,531</u>	<u>255,462</u>	<u>11,270</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(2,728)	(115,653)	1,710	-
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,728)	(115,653)	1,710	-
FUND BALANCES-BEGINNING OF YEAR	<u>23,132</u>	<u>239,882</u>	<u>30,480</u>	<u>25</u>
FUND BALANCES-END OF YEAR	<u>\$ 20,404</u>	<u>\$ 124,229</u>	<u>\$ 32,190</u>	<u>\$ 25</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	234	235	236	237
	Justice Court Technology Fund	District court Records Technology Fund	Alternative Dispute Resolution Fund	County Court Technology Fund
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Program Income	-	-	-	-
Fines and fees	-	-	-	-
Investment earnings/Interest	10,038	6,722	5,490	750
Donations	263	247	7	11
Miscellaneous revenues	-	-	-	-
Total revenues	<u>10,301</u>	<u>6,969</u>	<u>5,497</u>	<u>761</u>
EXPENDITURES				
Current				
General government	4,722	-	-	673
Health and welfare	-	-	-	-
Capital Expenditures	<u>889</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>5,611</u>	<u>-</u>	<u>-</u>	<u>673</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	4,690	6,969	5,497	88
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,690	6,969	5,497	88
FUND BALANCES-BEGINNING OF YEAR	<u>37,022</u>	<u>33,542</u>	<u>275</u>	<u>1,458</u>
FUND BALANCES-END OF YEAR	<u>\$ 41,712</u>	<u>\$ 40,511</u>	<u>\$ 5,772</u>	<u>\$ 1,546</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	238	239	240	241
	District Court Technology Fund	District Court Records Archive Fund	District Court Building Fund	District Court Records Preservation Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Program Income	-	-	-	-
Fines and fees	-	-	-	-
Investment earnings/Interest	368	5,827	-	6,987
Donations	7	43	6	354
Miscellaneous revenues	-	-	-	-
Total revenues	<u>375</u>	<u>5,870</u>	<u>6</u>	<u>7,341</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Health and welfare	-	-	-	-
Capital Expenditures	-	-	271	-
Total expenditures	<u>-</u>	<u>-</u>	<u>271</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	375	5,870	(265)	7,341
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	(783)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(783)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	375	5,870	(1,048)	7,341
FUND BALANCES-BEGINNING OF YEAR	<u>907</u>	<u>3,810</u>	<u>1,048</u>	<u>48,561</u>
FUND BALANCES-END OF YEAR	<u>\$ 1,282</u>	<u>\$ 9,680</u>	<u>\$ -</u>	<u>\$ 55,902</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	242	243	245	249
	County Court Records Preservation Fund	FEMA Fund	County Attorney Diversionary Fund	County Library Donation Fund
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	-	\$ -
Intergovernmental	-	11,288	-	-
Program Income	-	-	-	-
Fines and fees	1,723	-	9,800	-
Investment earnings/Interest	25	1,303	420	515
Donations	-	-	-	51,772
Miscellaneous revenues	-	-	-	-
Total revenues	<u>1,748</u>	<u>12,591</u>	<u>10,220</u>	<u>52,287</u>
EXPENDITURES				
Current				
General government	3,609	25,000	900	19
Health and welfare	-	-	-	-
Capital Expenditures	-	40,000	-	-
Total expenditures	<u>3,609</u>	<u>65,000</u>	<u>900</u>	<u>19</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(1,861)	(52,409)	9,320	52,268
OTHER FINANCING SOURCES				
Transfers In	-	-	-	613
Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>613</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,861)	(52,409)	9,320	52,881
FUND BALANCES-BEGINNING OF YEAR	<u>2,929</u>	<u>201,288</u>	<u>54,897</u>	<u>56,800</u>
FUND BALANCES-END OF YEAR	<u>\$ 1,068</u>	<u>\$ 148,879</u>	<u>\$ 64,217</u>	<u>\$ 109,681</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	306	307	308	309
	Election Admin. Fund	LEOSE District Attorney Fund	LEOSE Sheriff Fund	Sheriff Donations Fund
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	3,818	-
Program Income	-	-	-	-
Fines and fees	3,073	-	-	-
Investment earnings/Interest	308	22	17	14
Donations	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>3,381</u>	<u>22</u>	<u>3,835</u>	<u>14</u>
EXPENDITURES				
Current				
General government	-	-	1,670	498
Health and welfare	-	-	-	-
Capital Expenditures	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>1,670</u>	<u>498</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	3,381	22	2,165	(484)
OTHER FINANCING SOURCES				
Transfers In	-	5,245	2,171	3,459
Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,245</u>	<u>2,171</u>	<u>3,459</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	3,381	5,267	4,336	2,975
FUND BALANCES-BEGINNING OF YEAR	<u>45,384</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES-END OF YEAR	<u>\$ 48,765</u>	<u>\$ 5,267</u>	<u>\$ 4,336</u>	<u>\$ 2,975</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	310	311	312	313
	Cash Bond Fund	Court Cost Fund	MHMR Officers Fund	School Res Officer Fund
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	256,356	57,025
Program Income	14,012	619,384	-	-
Fines and fees	-	-	-	-
Investment earnings/Interest	-	-	17	1
Donations	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>14,012</u>	<u>619,384</u>	<u>256,373</u>	<u>57,026</u>
EXPENDITURES				
Current				
General government	7,262	496,844	235,742	57,014
Health and welfare	-	-	-	-
Capital Expenditures	-	-	-	-
Total expenditures	<u>7,262</u>	<u>496,844</u>	<u>235,742</u>	<u>57,014</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	6,750	122,540	20,631	12
OTHER FINANCING SOURCES				
Transfers In	50,125	-	5,723	-
Transfers Out	-	(122,540)	-	-
Total other financing sources (uses)	<u>50,125</u>	<u>(122,540)</u>	<u>5,723</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	56,875	-	26,354	12
FUND BALANCES-BEGINNING OF YEAR	-	-	-	-
FUND BALANCES-END OF YEAR	<u>\$ 56,875</u>	<u>\$ -</u>	<u>\$ 26,354</u>	<u>\$ 12</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	314	941	890	930
	Scofflaw Fund	Assessor Collector Special Inventory Fund	County Attorney Hot Check Fund	Sheriff Drug Seizure Fund
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Program Income	-	-	-	-
Fines and fees	6,407	-	6,392	-
Investment earnings/Interest	13	49	-	204
Donations	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>6,420</u>	<u>49</u>	<u>6,392</u>	<u>204</u>
EXPENDITURES				
Current				
General government	1,328	-	11,319	-
Health and welfare	-	-	-	-
Capital Expenditures	-	-	-	-
Total expenditures	<u>1,328</u>	<u>-</u>	<u>11,319</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	5,092	49	(4,927)	204
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	5,092	49	(4,927)	204
FUND BALANCES-BEGINNING OF YEAR	-	7,020	14,583	28,533
FUND BALANCES-END OF YEAR	<u>\$ 5,092</u>	<u>\$ 7,069</u>	<u>\$ 9,656</u>	<u>\$ 28,737</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	920	951	950	940
	District Attorney Drug Seizure Fund	Unclaimed Money Fund	Abandoned Property Fund	Chapter 19 Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Total revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	2,112
Program Income	-	237	11,670	-
Fines and fees	135,677	-	-	-
Investment earnings/Interest	1,041	78	113	-
Donations	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>136,718</u>	<u>315</u>	<u>11,783</u>	<u>2,112</u>
EXPENDITURES				
Current				
General government	9,475	10	11,803	2,112
Health and welfare	-	-	-	-
Capital Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>9,475</u>	<u>10</u>	<u>11,803</u>	<u>2,112</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	127,243	305	(20)	-
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
Excess (deficiency) of revenues and other sources over expenditures and other uses	127,243	305	(20)	-
FUND BALANCES-BEGINNING OF YEAR	<u>38,236</u>	<u>11,304</u>	<u>18,691</u>	<u> </u>
FUND BALANCES-END OF YEAR	<u>\$ 165,479</u>	<u>\$ 11,609</u>	<u>\$ 18,671</u>	<u>\$ -</u>

HOWARD COUNTY, TEXAS
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2017

Fund Number	935	
	Jail Commissary Fund	Total Non-major Special Revenue Funds
REVENUES		
Total revenues		
Taxes	\$ -	\$ 10,534
Intergovernmental	-	330,599
Program Income	82,742	728,045
Fines and fees	-	541,184
Investment earnings/Interest	242	11,818
Donations	-	51,772
Miscellaneous revenues	-	-
Total revenues	<u>82,984</u>	<u>1,673,952</u>
EXPENDITURES		
Current		
General government	70,312	1,321,906
Health and welfare	-	158,209
Capital Expenditures	-	48,849
Total expenditures	<u>70,312</u>	<u>1,528,964</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	12,672	144,988
OTHER FINANCING SOURCES		
Transfers In	-	280,336
Transfers Out	-	(123,323)
Total other financing sources (uses)	<u>-</u>	<u>157,013</u>
NET CHANGE IN FUND BALANCES		
Excess (deficiency) of revenues and other sources over expenditures and other uses	12,672	302,001
FUND BALANCES-BEGINNING OF YEAR	<u>33,964</u>	<u>1,507,489</u>
FUND BALANCES-END OF YEAR	<u>\$ 46,636</u>	<u>\$ 1,809,490</u>

HOWARD COUNTY, TEXAS
Internal Service Funds
Combining Statement of Revenues, Expenses & Changes
In Net Position
September 30, 2017

	Total Internal Service Funds
OPERATING REVENUES	
Charges for services	1,364,000
Insurance proceeds/sale of equipment	\$
Total operating revenues	<u>1,364,000</u>
OPERATING EXPENSES	
Personnel services	195,313
Liability insurance	33,628
Maintenance & repairs	115,475
Materials	331,404
Equipment rental	-
Depreciation	<u>528,967</u>
Total Operating Expenses	<u>1,204,787</u>
OPERATING INCOME (LOSS)	
NONOPERATING REVENUES (EXPENSES)	
Interest on income	7,945
Contributions from other funds	30,995
Gain (loss) on sale of equipment	<u>(33,454)</u>
Total non-operating revenues (expenses)	<u>5,486</u>
Income before transfers	
TRANSFERS	
Transfers In	-
Transfers Out	<u>-</u>
Net transfers	<u>-</u>
CHANGE IN NET POSITION	164,699
NET POSITION AT BEGINNING OF YEAR	<u>2,377,293</u>
NET POSITION AT END OF YEAR	\$ <u><u>2,541,992</u></u>

HOWARD COUNTY, TEXAS
Internal Service Funds
Combining Statement of Cashflows
For the Year Ended September 30, 2017

	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user departments	\$ 1,364,000
Cash paid to employees	(199,173)
Cash paid to suppliers	(475,847)
Miscellaneous revenue	0
	<u>688,980</u>
Net cash used in operating activities	<u>688,980</u>
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Acquisition of assets	(1,036,062)
Proceeds from sale of equipment	
	<u>(1,036,062)</u>
Net cash (used in) provided by capital and related financing activities	<u>(1,036,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	7,945
	<u>7,945</u>
Net cash provided (used) in investing activities	<u>7,945</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(339,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>996,157</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>657,020</u></u>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income (loss)	\$ 159,213
Adjustment to reconcile operating income to net cash provided by operating actives:	
Depreciation	528,967
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(486)
(Increase) decrease in inventory	(12,590)
Increase (decrease) in accounts payable	17,738
Increase (decrease) in wages payable	(2)
Increase (decrease) in compensated absences payable	(3,860)
Total adjustments	<u>800</u>
Net cash used in operating activities	\$ <u><u>688,980</u></u>

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OF THE
STATE OF TEXAS SINGLE AUDIT CIRAULAR**



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Independent Auditor's Report

To the Honorable County Judge, Commissioners Court and County Auditor
Howard County
Big Spring, Texas

Report on Compliance for Each Major State Program

We have audited Howard County's compliance with the types of compliance requirements described in the State of Texas Single Audit Circular Compliance Supplement for Texas Department of Transportation County Transportation Infrastructure Fund Grant CTIF-01-115 that could have a direct and material effect on each of Howard County's major state programs for the year ended September 30, 2017. Howard County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Howard County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S., the State of Texas Single Audit Circular and audit guidance requirement set forth by the Texas Department of Transportation. Those standards and the guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Howard County'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 state program. However, our audit does not provide a legal determination of Howard County's compliance.

Opinion on Each Major State Program

In our opinion, Howard County 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 state programs for the year ended March 21, 2018.

Report on Internal Control over Compliance

Management of Howard County 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 Howard County's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Howard County'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 state 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 state 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 state 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 were not identified.

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



Gayla Fullerton CPA
Abilene TX 79603
March 21, 2018

HOWARD COUNTY, TEXAS

Schedule of Expenditures of State Awards
for the Year Ended September 30, 2017

State or Federal Grantor/ Program Title	Number	Expenditures
Texas Department of Transportation County Transportation Infrastructure Fund Grant	CTIF-01-115	\$1,332,280
Texas Office of the Attorney General Texas Statewide Automated Victim Notification Services (SAVNS)	1771153	\$16,524
Texas Indigent Defense Commission Indigent Defense Formula Grant	212-16-114	\$ 35,278
Total State Awards		<u>\$1,384,082</u>

Notes to Schedule of Expenditures of State and Federal Awards
for the Year Ended September 30, 2017

The accompanying schedule of expenditures of state and federal awards includes grant activity of Howard County, Texas and is presented on the modified accrual basis of accounting; however, the grant received from the Texas Department of Transportation reflects \$120,041 in revenue for 2014-15 fiscal year, the first year of the grant. See page 44 of this report for a detail of current year's activity.

The state/federal assistance revenues are reported as intergovernmental revenues in the County's basic financial statements. Revenues and expenditures are reported in the General and Special Revenue Funds.

The amounts shown as expenditures represent only the grant portion of the program costs. Entire program costs, including the County's portion, are more than is shown.

Expenditures from grant funded project	\$ 1,666,215
Reimbursed by State Grant	<u>1,423,593</u>
Expenditures paid by county funds	\$ 242,622

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

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: An unmodified opinion was issued.

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

State Awards

Internal control over major federal programs:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Identification of major federal programs:		
Grant Project Number(s)		
Texas Department of Transportation, County Transportation Infrastructure Fund Grant – CTF-01-115		
Texas Office of the Attorney General, Texas Statewide Automated Victim Notification Services - 1771153		
Texas Indigent Defense Commission, Indigent Defense Formula Grant – 212-16-114		
Dollar threshold used to distinguish between type A and type B programs: \$ 750,000		
Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**SUMMARY SCHEDULE
OF PRIOR AUDIT FINDINGS**
For Year Ending September 30, 2016

There were no finding in prior year audit for year ending September 30, 2016.