

HOWARD COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended

September 30, 2012



Prepared by: Office of County Auditor
Audited by: Don H. Stephens, CPA, PC

INTRODUCTORY SECTION

Howard County, Texas
Comprehensive Annual Financial Report
September 30, 2012

TABLE OF CONTENTS

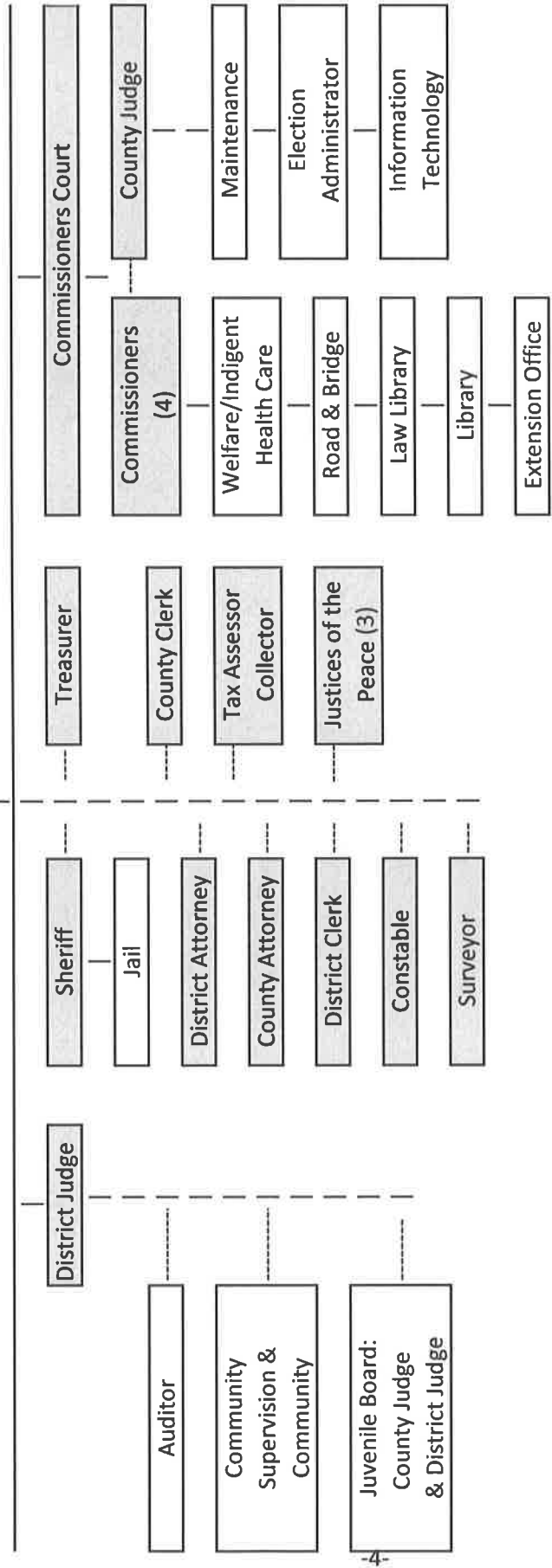
	Page
INTRODUCTORY SECTION	1
Table of Contents	2-3
Organizational Chart	4
Elected and Appointed Officials	5
FINANCIAL SECTION	6
Independent Auditor's Report	7-8
Management's Discussion and Analysis	9-14
Basic Financial Statements:	15
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds - Including Reconciliation of the	
Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Change in	
Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in	
Fund Balances-Budget and Actual-Major Funds	21-23
Notes to the Financial Statements	24-45
Required Supplementary Information	
Schedule of Funding Progress for the Retirement Plan for Employees	
of Howard County	46
Combining and Individual Fund Statements and Schedules:	47
Combining Balance Sheet - Nonmajor Governmental Funds	48-51
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances-Nonmajor Governmental Funds	52-55
Internal Service Fund:	56
Statement of Net Assets - Internal Service Fund	57
Statement of Revenues, Expenses, and Changes in	
Net Assets-Internal Service Fund	58
Statement of Cash Flows-Internal Service Fund	59
Schedule of Fixed Assets	60
Agency Funds:	61
Statement of Fiduciary Assets and Liabilities	62
Combining Statement of Changes in Fiduciary Assets and Liabilities	63

Howard County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2012

<u>TABLE OF CONTENTS</u>	Page
Capital Assets Used in the Operation of Governmental Funds:	64
Comparative Schedule By Source	65
Schedule by Function and Activity	66
Schedule of Changes by Function and Activity	67
STATISTICAL SECTION (unaudited)	68
Changes in Net Assets	69-70
Fund Balances of Governmental Funds	71
Changes in Fund Balances of Governmental Funds	72
Government-wide Revenues	73
Government-wide Expenses by Function	74
Taxable Assessed Value and Actual Value of Property	75
Direct and Overlapping Property Tax Rates	76
Principal Taxpayers-Current Year and Nine Years Ago	77
Property Tax Levies and Collections	78
Ratios of General Bonded Debt Outstanding	79
Overlapping Debt Repaid with Property Taxes	80
County Employees by Function	81
Demographic and Statistical Information	82
Miscellaneous Statistics	83
INDEPENDENT AUDITOR'S SECTION	84
Independent Auditor's Report--	85
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86-87
Schedule of Findings and Questioned Costs	88

HOWARD COUNTY ORGANIZATIONAL CHART

COUNTY VOTERS



Shaded Boxes represent elected positions

Howard County, TX
Elected and Appointed Officials
September 30, 2012

Elected Officials

County Judge	Mark Barr
Commissioner, Precinct 1	Emma Puga Brown
Commissioner, Precinct 2	Donnie Baker
Commissioner, Precinct 3	Jimmie Long
Commissioner, Precinct 4	John Cline
District Judge	Timothy Yeats
Sheriff	Stan Parker
District Attorney	Hardy Wilkerson
County Attorney	Josh Hamby
Justice of Peace, Precinct 1, Place 1	Bennie Green
Justice of Peace, Precinct 1, Place 2	Kathryn Wiseman
Justice of Peace, Precinct 2	Quail Dobbs
Tax Assessor Collector	Kathy Sayles
Treasurer	Teresa Thomas
District Clerk	Colleen Barton
County Clerk	Donna Wright

Appointed Officials

County Auditor	Jackie Olson
Chief Juvenile Probation Officer	Gerrilyn Randle
Community Supervision and Corrections Director	Kent Minchew

FINANCIAL SECTION

DON H. STEPHENS CPA, P.C.
A PROFESSIONAL CORPORATION
703 SOUTH FIRST STREET
LAMESA, TEXAS 79331

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County Judge, County Auditor & Commissioners' Court
Big Spring, Texas 79720

INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge, Commissioners' Court
& County Auditor
Howard County, Texas

We have audited the accompanying financial statements of the governmental activities, and each major fund of Howard County, Texas, as of and for the year ended September 30, 2012, which collectively comprise Howard County's financial Statements as listed in the table of contents. These financial statements are the responsibility of Howard County's management. Our responsibility is to express an opinion on the financial statement 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 of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the governmental activities, each major fund, and aggregate remaining fund information of Howard County as of September 30, 2012, the results of its operation; and cash flows where applicable for the year ended in conformity with Accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2013 on our consideration of the Howard County's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information are not required parts of the financial Statement, but constitute supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of Howard County's management Regarding the methods of measurement and presentation of the supplementary information. However, we did not Audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the County's respective financial statements. The Introductory section combining and individual non-major fund financial statements, and statistical section ("supplementary information"), listed in the forgoing table of contents, are presented for purposes of additional Analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management of Howard County. The combining and individual fund financial statements, have been Subjected to the auditing procedures applied by us in the audit of the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

DON H. STEPHENS CPA, P.C.

January 4, 2013

Don H. Stephens CPA PC

Howard County, Tx
Management's Discussion and Analysis
September 30, 2012

As Auditor of the County of Howard, I offer readers of the County's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2012. I encourage readers to consider the information presented here in conjunction with additional information furnished in the Notes to the Financial Statements as well as the basic financial statements.

Users of Public-Sector Financial Information

Many groups and individuals need reliable information about a government's finances.

Management needs financial information for planning purposes and to ensure and demonstrate compliance with budgetary and grantor restrictions on the use of resources. Oversight bodies need financial information to make informed decisions on the allocation of scarce resources and to monitor management's compliance with budgetary and other legal restrictions.

Investors and creditors need financial information to determine the creditworthiness of the government and whether the government is complying with finance related legal and contractual requirements. Citizens need financial information to evaluate the financial stewardship of their elected representatives and to provide a basis for their own informed participation in the budgetary process.

Overview of County Government (1)

When our national government was formed, the framers of the Constitution did not provide for local governments. Rather, they left the matter to the states. Subsequently, early state constitutions generally conceptualized county government as an arm of the state.

After World War I, population growth, and suburban development, the government reform movement strengthened the role of local governments. Those developments set the stage for post-World War II urbanization. Changes in structure, greater autonomy from the states, rising revenues, and stronger political accountability ushered in a new era for county government. The counties began providing an ever widening range of services. These trends continue apace today.

Forty-eight of the fifty states have operational county governments. Alaska and Louisiana call their county-type governments boroughs and parishes, respectively. Connecticut and Rhode Island are divided into geographic regions called counties, but they do not have functioning governments, as defined by the Census Bureau.

Hawaii and Delaware each have the fewest counties (3); Texas has the most (254).

Traditionally, counties performed state-mandated duties, which included assessment of property, record keeping (e.g. property and vital statistics), and maintenance of rural roads, administration of election and judicial functions, and poor relief. Today, counties rapidly are moving into other areas, undertaking programs relating to child welfare, consumer protection, economic development,

employment/training, planning and zoning, and water quality, to name just a few.

(1) Source: www.naco.org

Overview of the Financial Statements

The County's financial reporting for fiscal year 2012 focuses on the county as a whole, and on major individual funds. The County's basic financial statements comprise 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 financial statements are designed to present an overall picture of the financial position of the County of Howard. These statements consist of the statement of net assets and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that all the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position similar to that presented by most private-sector companies.

The statement of net assets combines and consolidates the government's current financial resources with capital assets and long-term obligations. This statement includes all of the County's assets and liabilities.

Net assets is the difference between the County's assets and liabilities, and represents one measure of the County's financial health.

The statement of activities focuses on both the gross and net cost of various activities (governmental and business-type). This statement summarizes the cost of providing specific government services.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Howard uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County of Howard can be grouped in three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The reconciliation following the fund financial statements explains the differences between the County's activities, reported in the government-wide statement of net assets and government-wide statement of activities, and the governmental funds. The General Fund, always reported as a major fund, Road and Bridge Fund, and the Tobacco Fund are reported as major funds. (Major funds are those whose revenues, expenditures/expenses, or liabilities are at least 10% of corresponding totals for all governmental funds or enterprise funds and at least 5% of the aggregate amount for all governmental funds and enterprise funds.) The County also includes the Debt Service Funds and Capital Projects Fund as major funds.

The County maintains a proprietary fund, an internal service fund, to account for its fleet of vehicles. Because this service benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The fiduciary funds are used to account for resources held for the benefit of others outside the government and are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs.

The County also maintains additional individual governmental funds. Data from these funds are combined into a single, aggregated presentation.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis of the County as a Whole

Net Assets. Total assets of the County on September 30, 2012, were \$28,944,430 while total liabilities were \$12,880,452, resulting in a net asset balance of \$16,063,978.

Howard County's Net Assets

Current and other assets	\$14,078,284
Capital assets	<u>14,866,146</u>
Total assets	28,944,430
Long-term liabilities outstanding	11,085,000
Other liabilities	<u>1,795,452</u>
Total liabilities	12,880,452
Net assets: Invested in capital assets, net of related debt	3,781,146
Restricted	1,890,285
Unrestricted	10,392,547
Total net assets	<u>\$16,063,978</u>

Changes in Net Assets

During the fiscal year the County earned \$2,584,280 in charges for services/fines/fees. Property tax revenue accounted for \$11,128,989, while \$185,444 was earned in investment income and other miscellaneous revenue.

Governmental Funds

<u>Revenues</u>	
Program revenues:	
Charges for services	\$2,584,280
Grants	160,706
Contributions	1,700,000
Taxes	11,128,989
Other/Intergovernmental	<u>947,730</u>
Total revenues	<u>\$16,521,715</u>

<u>Expenses</u>	
General government	\$6,058,590
Public safety	3,845,737
Road maintenance	1,471,105
Health/welfare	194,959
Conservation of natural Resources	107,141
Culture and recreation	454,250
Intergovernmental	779,335
Interest on debt	510,546
Vehicle operation	981,214
Other	<u>800</u>
Total expenses	<u>14,403,677</u>
Change in Net Assets	2,118,038
Net assets, 10-01-11 adjusted	13,945,940
Net assets, 9-30-12	<u>16,063,978</u>

Budget Variances in the General Fund

Unlike budgets in the private sector, the appropriated budget of a local government is much more than just a financial plan. It is the concrete manifestation of a legislative body's use of the power of the purse to set public policy.

The original budget for revenues in the general fund was \$11,106,433 compared to \$11,656,148 for the final budget, an increase of \$549,715.

Revenues	Original Budget	Final Budget	Increase or (Decrease)
Taxes	\$8,771,303	\$8,852,000	\$80,697
License/permits	1,500	7,885	6,385
Intergovernmental	745,880	896,663	150,783
Charge for services	956,300	1,142,800	186,500
Fines/fees	588,500	602,500	14,000
Other	32,000	135,648	103,648
Interest	<u>10,950</u>	<u>18,652</u>	<u>7,702</u>
Total	<u>\$11,106,433</u>	<u>11,656,148</u>	<u>549,715</u>

The original budget for expenditures in the general fund was \$11,322,989 compared to \$11,543,915 for the final budget, an increase of \$220,926.

Expenditures	Original Budget	Final Budget	Increase or (Decrease)
General government	\$4,922,834	\$4,861,464	(\$61,370)
Public safety	4,016,195	4,226,651	210,456
Health/welfare	12,800	2,750	(10,050)
Conservation of Natural resources	119,891	119,946	55
Culture/Recreation	399,205	395,793	(3,412)
Intergovernmental	815,564	847,393	31,829
Capital outlay	<u>1,036,500</u>	<u>1,089,918</u>	<u>53,418</u>
Total	<u>\$11,322,989</u>	<u>\$11,543,915</u>	<u>220,926</u>

Capital Assets

The County's investment in capital assets as of September 30, 2012, amounts to \$14,866,146 (net of accumulated depreciation). This investment includes land, buildings and improvements and equipment.

Capital Assets (net of accumulated depreciation)

Land	\$590,476
Buildings/improvements	12,962,971
Equipment	<u>1,312,699</u>
Total	<u>\$14,866,146</u>

Contacting the County's Financial Management

This financial report is designed to provide the County's citizens, taxpayers, and creditors with a general overview of the County's finances. If you have questions, contact the County Judge or County Auditor at 300 Main Street, County Courthouse, and Big Spring, TX 79720.

**BASIC
FINANCIAL
STATEMENTS**

**Howard County, Tx
Statement of Net Assets
September 30, 2012**

	Governmental Activities
<hr/>	
ASSETS	
Cash and cash equivalent	\$ 12,512,552
Petty cash	1,400
Receivables (net of allow. for uncollectibles)	1,171,690
Inventory	72,559
Deferred Charges	320,083
Capital assets (net of accumulated depreciation):	
Land	590,476
Buildings and improvements	12,962,971
Equipment	1,312,699
	<hr/>
Total assets	28,944,430
	<hr/>
LIABILITIES	
Accounts payable	1,498,556
Wages payable	115,628
Accrued interest payable	55,559
Noncurrent liabilities:	
Due within one year	575,709
Due in more than one year	10,635,000
	<hr/>
Total liabilities	12,880,452
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	3,781,146
Restricted for:	
General government	1,564,483
Debt services	69,996
Capital projects	243,286
Other purposes	12,520
Unrestricted	10,392,547
	<hr/>
Total net assets	\$ 16,063,978
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The notes to the financial statements are an integral part of this statement.

Howard County, Tx
Statement of Activities
For the Year Ended September 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Functions/Programs					
Governmental activities:					
General Government	\$ 6,058,590	\$ 1,848,556	\$ 160,706	\$ -	\$ (4,049,328)
Public Safety	3,845,737	64,356	-	1,700,000	(2,081,381)
Road Maintenance	1,471,105	665,075	-	-	(806,030)
Health/Welfare	194,959	-	-	-	(194,959)
Conservation of Nat. Resources	107,141	-	-	-	(107,141)
Culture and Recreation	454,250	6,293	-	-	(447,957)
Intergovernmental	779,335	-	-	-	(779,335)
Interest on long term debt	510,546	-	-	-	(510,546)
Vehicle Operation	981,214	-	-	-	(981,214)
Other	800	-	-	-	(800)
Total governmental activities	14,403,677	2,584,280	160,706	1,700,000	(9,958,691)
General revenues:					
Property taxes					11,128,989
Intergovernmental					762,296
Other/Miscellaneous/Interest					185,444
Transfers (net)					-
Total general revenues and transfers					12,076,729
Change in net assets					2,118,038
Net assets - beginning (adjusted)					13,945,940
Net assets - ending					\$ 16,063,978

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

**Howard County, Tx
Balance Sheet
Governmental Funds
September 30, 2012**

	Major Funds					Nonmajor Funds	
	General Fund	Road & Bridge Fund	Tobacco Fund	Debt Service Funds	Capital Project Fund	Other Governmental Funds	Total
ASSETS							
Cash and cash equivalents	\$ 7,483,160	\$ 1,344,162	\$ 2,318,197	\$ 69,996	\$ 333,399	\$ 489,807	\$ 12,038,721
Petty cash	1,400	-	-	-	-	-	1,400
Receivables (net of allowance for uncol)	482,930	219,758	-	28,260	-	8,732	739,680
Due from other funds	14,456	4,501	-	-	-	-	18,957
Inventory	33,596	-	-	-	-	-	33,596
Total assets	8,015,542	1,568,421	2,318,197	98,256	333,399	498,539	12,832,354
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	714,531	670,673	-	-	90,113	18,645	1,493,962
Wages payable	97,349	12,706	-	-	-	2,891	112,946
Deferred revenue	459,961	77,693	-	28,260	-	-	565,914
Total liabilities	1,271,841	761,072	-	28,260	90,113	21,536	2,172,822
Fund balances:							
Nonspendable							
Inventories	33,596	-	-	-	-	-	33,596
Restricted for							
General government	-	-	1,100,000	-	-	464,483	1,564,483
Unclaimed funds	-	-	-	-	-	9,628	9,628
Human services	-	-	-	-	-	2,892	2,892
Debt services	-	-	-	69,996	-	-	69,996
Capital projects	-	-	-	-	243,286	-	243,286
Unassigned	6,710,105	807,349	1,218,197	-	-	-	8,735,651
Total fund balances	6,743,701	807,349	2,318,197	69,996	243,286	477,003	10,659,532
Total liabilities and fund balances	8,015,542	1,568,421	2,318,197	98,256	333,399	498,539	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	13,831,593
Assets not available to pay for current-period expenditures	1,298,569
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 assets.	1,535,614
Liabilities, including bonds and interest payable, are not due and payable in the current period and therefore are not reported in the funds	(11,261,330)
Net assets of governmental activities	\$ 16,063,978

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

Howard County, Tx
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	Major Funds-----					Nonmajor Funds	
	General Fund	Road & Bridge Fund	Tobacco Fund	Debt Service Funds	Capital Project Fund	Other Governmental Funds	Total
REVENUES							
Taxes	\$ 8,860,391	\$ 1,323,966	\$ -	\$ 925,718	\$ -	\$ -	\$ 11,110,075
License and permits	7,885	665,075	-	-	1,700,000	-	2,372,960
Intergovernmental	846,395	49,984	10,688	-	-	5,607	912,674
Charges for services	1,176,691	-	-	-	-	59,867	1,236,558
Fines/fees	489,960	-	-	-	-	226,277	716,237
Interest	18,652	345	3,658	89	2,281	375	25,400
Miscellaneous	137,128	-	-	-	-	934	138,062
Total revenues	11,537,102	2,039,370	14,346	925,807	1,702,281	293,060	16,511,966
EXPENDITURES							
General government	4,340,422	-	-	-	-	258,799	4,599,221
Public Safety	3,702,897	-	-	-	-	-	3,702,897
Road Maintenance	-	2,054,305	-	-	-	-	2,054,305
Health/Welfare	1,105	-	-	-	-	194,895	196,000
Conservation of Natural Resources	107,141	-	-	-	-	-	107,141
Culture and Recreation	390,566	-	-	-	-	-	390,566
Intergovernmental	779,335	-	-	-	-	-	779,335
Interest on debt	-	-	-	512,539	-	-	512,539
Bond principal	-	-	-	430,000	-	-	430,000
Capital outlay	1,026,825	1,175	64,000	-	2,458,995	23,098	3,574,093
Other	-	-	-	800	-	-	800
Total expenditures	10,348,291	2,055,480	64,000	943,339	2,458,995	476,792	16,346,897
Excess (deficiency) of revenues over expenditures	1,188,811	(16,110)	(49,654)	(17,532)	(756,714)	(183,732)	165,069
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	400,000	5,000	1,000,000	247,684	1,652,684
Transfers out	(1,646,327)	-	-	-	-	(6,357)	(1,652,684)
Total other financial sources (uses)	(1,646,327)	-	400,000	5,000	1,000,000	241,327	-
Net change in fund balances	(457,516)	(16,110)	350,346	(12,532)	243,286	57,595	165,069
Inventory increase (decrease)	(8,869)	-	-	-	-	-	(8,869)
Fund balances - beginning	7,210,086	823,459	1,967,851	82,528	-	419,408	10,503,332
Fund balances - ending	\$ 6,743,701	\$ 807,349	\$ 2,318,197	\$ 69,996	\$ 243,286	\$ 477,003	\$ 10,659,532

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

Howard County, Tx
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, 2012

Amounts reported for governmental activities in the statements of activities are different because:

Net change in fund balances - total governmental funds	\$ 165,069
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	-14,234
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.	2,094,934
Internal service fund is used to charge the costs of vehicle management to individual funds. The net revenue of this fund is reported with governmental activities.	<u>-127,731</u>
Changes of net assets of governmental activities	<u><u>\$ 2,118,038</u></u>

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

Howard County, Tx
Major Funds - General and Road & Bridge
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Original and Final) and Actual
Year Ended September 30, 2012

	General Fund			Road and Bridge Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes	\$ 8,771,303	\$ 8,852,000	\$ 8,860,391	\$ 1,289,000	\$ 1,323,700	\$ 1,323,966
License and permits	1,500	7,885	7,885	651,782	666,782	665,075
Intergovernmental	745,880	896,663	846,395	31,187	49,187	49,984
Charges for services	956,300	1,142,800	1,176,691	-	-	-
Fines/fees	588,500	602,500	489,960	-	-	-
Miscellaneous	32,000	135,648	137,128	-	-	-
Interest	10,950	18,652	18,652	725	725	345
Total revenues	11,106,433	11,656,148	11,537,102	1,972,694	2,040,394	2,039,370
Expenditures:						
Current						
General government	4,922,834	4,861,464	4,340,422	-	-	-
Road maintenance		-	-	2,311,125	2,309,950	2,054,305
Public safety	4,016,195	4,226,651	3,702,897	-	-	-
Health/welfare	12,800	2,750	1,105	-	-	-
Conservation of natural resources	119,891	119,946	107,141	-	-	-
Culture and recreation	399,205	395,793	390,566	-	-	-
Intergovernmental	815,564	847,393	779,335	-	-	-
Capital expenditures	1,036,500	1,089,918	1,026,825	-	1,175	1,175
Other		-	-	-	-	-
Total expenditures	11,322,989	11,543,915	10,348,291	2,311,125	2,311,125	2,055,480
Excess (deficiency) of revenues over expenditures	(216,556)	112,233	1,188,811	(338,431)	(270,731)	(16,110)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(2,364,924)	(2,370,644)	(1,646,327)	-	-	-
Total other financing sources (uses)	(2,364,924)	(2,370,644)	(1,646,327)	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,581,480)	(2,258,411)	(457,516)	(338,431)	(270,731)	(16,110)
Fund balance-October 1	7,210,086	7,210,086	7,210,086	823,459	823,459	823,459
Increase (decrease) in reserve for inventory	-	(8,869)	(8,869)	-	-	-
Fund balance-September 30	\$ 4,628,606	\$ 4,942,806	\$ 6,743,701	\$ 485,028	\$ 552,728	\$ 807,349

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

Howard County, Tx
Major Funds - Tobacco and Debt Service
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Original and Final) and Actual
Year Ended September 30, 2012

	Tobacco Fund			Debt Service Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 910,913	\$ 912,913	\$ 925,718
License and permits	-	-	-	-	-	-
Intergovernmental	-	10,600	10,688	-	-	-
Charges for services	-	-	-	-	-	-
Fines/fees	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Interest	1,800	3,600	3,658	-	-	89
Total revenues	1,800	14,200	14,346	910,913	912,913	925,807
Expenditures:						
Current						
General government	-	-	-	-	-	-
Road maintenance	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Health/welfare	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Capital expenditures	2,368,800	2,368,800	64,000	-	-	-
Debt service	-	-	-	943,139	943,339	943,339
Total expenditures	2,368,800	2,368,800	64,000	943,139	943,339	943,339
Excess (deficiency) of revenues over expenditures	(2,367,000)	(2,354,600)	(49,654)	(32,226)	(30,426)	(17,532)
Other financing sources (uses):						
Operating transfers in	400,000	400,000	400,000	-	5,000	5,000
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	400,000	400,000	400,000	-	5,000	5,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,967,000)	(1,954,600)	350,346	(32,226)	(25,426)	(12,532)
Fund balance-October 1	1,967,851	1,967,851	1,967,851	82,528	82,528	82,528
Increase (decrease) in reserve for Inventory	-	-	-	-	-	-
Fund balance-September 30	\$ 851	\$ 13,251	\$ 2,318,197	\$ 50,302	\$ 57,102	\$ 69,996

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

Howard County, Tx
Major Funds - Debt Service and Capital Projects Fund
Statement of Revenues, Expenditures, and Changes In Fund Balance - Budget (Original and Final) and Actual
Year Ended September 30, 2012

	Capital Projects Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ -	\$ -	\$ -
License and permits	-	-	-
Intergovernmental	1,700,000	1,700,000	1,700,000
Charges for services	-	-	-
Fines/fees	-	-	-
Donations/grants	-	-	-
Miscellaneous	-	-	-
Interest	-	2,281	2,281
Total revenues	1,700,000	1,702,281	1,702,281
Expenditures:			
Current			
General government	-	-	-
Road maintenance	-	-	-
Public safety	-	-	-
Health/welfare	-	-	-
Conservation of natural resources	-	-	-
Culture and recreation	-	-	-
Intergovernmental	-	-	-
Capital expenditures	2,700,000	2,702,281	2,458,995
Debt service	-	-	-
Total expenditures	2,700,000	2,702,281	2,458,995
Excess (deficiency) of revenues over expenditures	(1,000,000)	(1,000,000)	(756,714)
Other financing sources (uses):			
Operating transfers in	1,000,000	1,000,000	1,000,000
Operating transfers out	-	-	-
Total other financing sources (uses)	1,000,000	1,000,000	1,000,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	243,286
Fund balance-October 1	-	-	-
Increase (decrease) in reserve for inventory	-	-	-
Fund balance-September 30	\$ -	\$ -	\$ 243,286

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

Howard County, Tx
Notes to the Financial Statements
September 30, 2012

I. Summary of significant accounting policies

A. Reporting entity

Howard County is the primary local county government. County government is a part of the State of Texas and a unit of local government. As part of the State, its structure is set out in the Texas Constitution and its operations prescribed in detail by state statutes. The County's operations are overseen by an elected commissioners court consisting of four commissioners, each elected from one of four precincts, and a county judge elected on a county-wide basis.

B. Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statements of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The government reports the following major governmental funds:

The General fund is the County's primary operating fund. It is the basic fund of the county and covers all activities for which a special fund has not been established.

The Road and Bridge fund is designed to account for current funds used for the purpose of operation, construction, and maintenance of county roads.

The Tobacco fund accounts for funds received as a result of a law suit brought by the attorney general of the State of Texas. There are no restrictions on how the funds are spent by the commissioner's court.

The Debt Service funds are used to account for the accumulation of resources for the payment of principal and interest on long-term debt.

The Capital Projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The government reports the following proprietary fund:

The Internal Service fund - Equipment Operating - consists of one department that operates on funds derived from other county departments for rental of vehicles and equipment for the road and bridge, sheriff, extension agent, maintenance, and fire departments.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

At year end, \$250,000 of the bank balance was covered by federal depository insurance with the remaining balance collateralized with securities held by the pledging financial institution or by its trust department or its agent in the county's name.

Investments are made in accordance with an investment policy, approved annually by the Commissioners' Court, which includes the following authorized investment instruments:

- A. Obligations of the United States of America, its agencies and instrumentalities.
- B. Direct obligations of the State of Texas and agencies thereof.
- C. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States of America
- D. Certificates of deposit of state and national banks doing business in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or

secured by obligations described in (A) through C) above, in market value no less than the principal of the certificates.

E. Negotiable Order of Withdrawal accounts.

F. Eligible public funds investment pool.

During the year the County chose to invest its funds in pools (TexPool, MBIA's Texas CLASS, LOGIC-Local Government Investment Cooperative, and TexStar) and in certificates of deposit. Investments in the pools and certificates which mature within three months of purchase date are reported as cash equivalents. Those 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.

The State Comptroller oversees TexPool, an AAAM 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 AAAM 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, 2012, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Investment Pools	\$9,831,548

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk; however, as of September 30, 2012, the County's bank balance was not exposed to custodial credit risk.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds".

All property taxes receivable are shown net of an allowance for uncollectible, equal to 5 percent of outstanding property taxes at year end.

The value of taxable property is determined by the appraisal of each property in Howard County by the Tax Appraisal Office. Size (measurement), structure, type buildings, use, and age are factors which determine the value of properties. The appraisal value is furnished to the Tax Collector by the Appraisal Office and Appraisal Review Board. The taxpayer may render these properties prior to May 1 at his estimate of value. If the appraisal of property is higher than the taxpayer's rendition, he is notified to meet with the Appraisal Review Board. It is the duty of the Review Board to sit as the Equalization Board and review the assessment roll for equalization of value. It is not their duty to set values, but insure equity of value. The Howard County Tax Collector assesses and collects taxes for Howard College, City of Big Spring, City of Coahoma, City of Forsan, Forsan School, Coahoma School, Howard County Water Control and Improvement District, Big Spring Independent School District, Permian Basin Underground Water Conservation District, as well as Howard County.

Tax rolls are generally completed by October 1 of each year and tax bills mailed by October 1st or as soon thereafter as practicable.

Ad valorem taxes are due and payable, without penalty or interest, from October 1 of the year in which levied until the following January 31, and thereafter are subject to interest plus penalty. Collections of the current year's levy are reported as current collections if made by June 30 and collections made thereafter are reported as delinquent collections.

The County's taxes on real property are a lien against such property until paid. The County may cause real property upon which it has a lien for unpaid taxes to be foreclosed, with the exception of homestead property belonging to persons 65 years of age or older. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on real property not otherwise collected are generally paid at such time as there is a sale or other disposition of the property.

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.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (effective 9/04 CAFR), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the county as assets with an initial cost of more than \$5,000 for equipment and \$100,000 for property and infrastructure assets. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of 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.

Property and equipment of the county is depreciated using the straight line method.

4. Long-term obligations

In the government-wide financial statements, long-term debt is reported as a liability in the applicable governmental activity.

In the fund financial statements, governmental fund types recognize bond principal and interest costs during the current period.

5. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted for use for a specific purpose. Designations of fund balance represent management plans that are subject to change.

6. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

7. Fund Balance Classification:

Fund balances as classified in a hierarchy based on the strength of the constraints governing how those balances can be spent. These classifications are listed below in descending order of restrictiveness:

Nonspendable—This classification includes amounts that cannot be spent because they: (a) are not in spendable form (e.g. inventors 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.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. 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 \$11,699,264 are as follows.

Bonds Payable:	
Due within one year	\$450,000
Due in more than one year	10,635,000
Accrued interest payable	55,559
Compensated Absences Payable	<u>120,771</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$11,261,330</u>

B. Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

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 assets 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 \$2,094,934 difference are as follows:

Depreciation	\$788,674
Interest payable related to prior period	55,559
Increase in compensated absences	-5,941
Increase in inventory	8,869
Purchase of capital assets	-2,469,786
Interest payable not liquidated with current resources	-57,552
Convert debt principal payments to liability reduction	-430,000
Amortization of bond costs/discounts	15,243
Net adjustment	<u>\$2,094,934</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

Each fiscal year Howard County adopts an annual operating budget. This budget is a plan of proposed expenditures and the means to finance them. It not only serves as a plan for County operations (it is a statement of policy by the Commissioners' Court) but also to prevent deficit spending. The county employs an encumbrance accounting system as a method accomplishing budgetary control. At year-end, open encumbrances are closed and re-appropriated within the following year's budget.

Howard County follows the procedures listed below in establishing budgetary data reflected in the financial statements.

The County Auditor compiles figures from the prior budget year and estimates of the current year for each department. These are given to each department head and after consideration each department head submits his budget requests for the upcoming budget year. The County Judge and Auditor then submit to the Commissioners' Court an estimate of revenues and the requests of each department. The Commissioners' Court conducts

budget workshops at which time hearings are held with the department heads, if needed. Public hearings are held on the budget to encourage citizen participation.

Once the budget is approved, adopted by the Commissioners' Court and filed with the County Clerk, the budget is incorporated into the accounting records. No revenue is taken in or expenditures made without being recorded in the records of the County. This enables the County Auditor to monitor the progress of receipts and expenditures against budgeted figures and keeps the Commissioners' Court aware of how the County's financial plan is working.

After final approval of the budget, the Commissioners' Court may spend County funds only in strict compliance with the budget, except in an emergency. The Commissioners' Court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet unusual and unforeseen conditions that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the Court amends the budget to meet an emergency, the Court files copies of its order amending the budget with the County Clerk, and the Clerk attaches the copy to the original budget. The Commissioners' Court by order may amend the budget to transfer an amount budgeted from one item to another budgeted item without authorizing an emergency expenditure. Line-item amounts at the object level may not be exceeded without budget amendments and all amendments require governing authority approval. Appropriate revisions are posted to the affected budgetary account by the County Auditor.

IV. Detailed notes on all funds

A. Receivables

Receivables at year end for the government's individual major funds, nonmajor/other funds, and internal service funds are as follows:

<u>Funds</u>	<u>General</u>	<u>Road & Bridge</u>	<u>Debt Svc.</u>	<u>Nonmajor/Other</u>	<u>Total</u>
Receivables:					
Fines & fees	\$412,572	\$0	\$0	\$0	\$412,572
Taxes, net of uncoll.	459,961	77,693	28,260	0	565,914
Accounts	<u>37,425</u>	<u>146,566</u>	<u>0</u>	<u>9,213</u>	<u>193,204</u>
Total	<u>\$909,958</u>	<u>\$224,259</u>	<u>\$28,260</u>	<u>\$9,213</u>	<u>\$1,171,690</u>

B. Capital assets

Capital asset activity for the year ended September 30, 2012 was as follows:

Governmental Activities:	
Capital assets, not being depreciated:	
Land	\$590,476
Capital assets, being depreciated:	
Buildings	19,962,446
Machinery and equipment	1,216,475
Less accumulated depreciation:	
Buildings	-6,999,475
Machinery and equipment	<u>-938,329</u>
Governmental Activities Capital Assets, Net	<u>13,831,593</u>
Business-Type Activities:	
Machinery and Equipment	4,073,889
Less accumulated depreciation	<u>-3,039,336</u>
Business-Type Activities Capital Assets, Net	<u>\$1,034,553</u>

Capital Assets Used in the Operation of Governmental Funds - Schedule by Source, Schedule by Function and Activity, and Schedule of Changes by Function and Activity, provide additional information about the County's capital assets and can be found in the financial section of this report. The County chose to report roads prospectively, not retroactively, beginning with the 2004 fiscal year.

C. Interfund receivables, payables, and transfers

The composition of interfund balance as of September 30, 2012, is as follows:

Due to/from other funds:

Receivable Fund:	Payable Fund:	Amount:
General Fund	Agency Funds	\$14,456
Road & Bridge Fund	Agency Funds	<u>4,501</u>
Total		<u>\$18,957</u>

Transfers to/from other funds:

Transfers Out:	Transfers In:	Amount:
General Fund	Capital Projects Fund	\$1,000,000
General Fund	Special Revenue Funds	645,720
General Fund	Debt Service Fund	5,000
Expendable Trust Fund	Expendable Trust Fund	<u>1,964</u>
Total		<u>\$1,652,684</u>

D. Leases

The County leases equipment under noncancellable operating leases. Total costs for such leases were \$67,014 for the year ended September 30, 2012. The future payments on these leases are as follows:

Year Ending September 30,	Amount:
2013	\$28,638
2014	22,906
2015	<u>20,356</u>
Total	<u>\$71,900</u>

E. Accumulated Unpaid Vacation, Compensatory and Sick Leave Benefits

Unpaid Vacation and Compensatory Time

At September 30, 2012 the County had \$125,709 in accumulated unpaid vacation. This amount has been reflected in the government wide financial statements. The obligation is not recognized in the government fund financial statements until they are due and payable, because they are not considered to be uses of current financial resources until that time.

Sick Leave

Sick leave is not paid upon termination and therefore is not accrued.

F. Bonds Payable

In 2005 Howard County issued \$1,165,000 in general obligation bonds with an average interest rate of 3.1975% to advance refund \$1,125,000 of outstanding 1995 series bonds with an interest rate of 5.50% to 8.00%. Interest payments are due semi-annually on February 15 and August 15. Principal payments are due annually on February 15.

Debt service requirements are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2013	\$130,000	\$12,450	\$142,450
2014	\$135,000	\$7,680	\$142,680
2015	\$140,000	\$2,625	\$142,625
Total	<u>\$405,000</u>	<u>\$22,755</u>	<u>\$427,755</u>

In 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. Interest payments are due semi-annually on February 15 and August 15. Principal payments are due February 15.

Debt service requirements are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2013	\$320,000	\$483,124	\$803,124
2014	335,000	470,024	805,024
2015	345,000	456,424	801,424
2016-2033	<u>9,680,000</u>	<u>4,778,958</u>	<u>14,458,958</u>
Total	<u>\$10,680,000</u>	<u>\$6,188,530</u>	<u>\$16,868,530</u>

G. Changes in long-term liabilities

During the year ended September 30, 2012, the following changes occurred in liabilities reported in the general long-term debt account group:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u> <u>(adjusted)</u>	<u>Reductions</u>	<u>Ending Balance</u>
General Obligations Bonds	\$11,515,000	0	\$430,000	\$11,085,000
Accrued compensated absences	\$11,487	0	\$5,778	\$131,487
Total	<u>\$11,646,487</u>	<u>0</u>	<u>\$435,778</u>	<u>\$11,212,709</u>

V. Other information

A. 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 Wells Fargo Insurance Services of Texas, 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 9-30-12 there were 19 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 9/30/12, the number of enrolled employees is 126 for medical insurance and 128 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.

B. Contingent liabilities (Source: Howard County Attorney)

As of 9/30/12 the County does not have any pending cases or pending claims.

C. Other postemployment health care benefits (OPEB)

In June 2004, the Governmental Accounting Standards Board (GASB) issued its formal Statement No. 45 Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions--creating accounting standards for a governmental entity's OPEB costs. This statement required that OPEB be measured and disclosed using an economic resources measurement focus, rather than the current financial resource outflows (i.e., pay-as-you-go) approach. GASB Statement No. 45 is based on the concept that postemployment benefit transactions are an exchange of promised benefits for employee services. Under this concept, the benefits, which are deferred until retirement or another future event, are to be recognized in the years during which the employee receives services, rather than during the postemployment period when payments are made. This requires disclosure about actuarially accrued liabilities related to past services and the status and progress of funding the benefits.

Funding the OPEB contributions is often determined by fiscal policy and may be adjusted or eliminated depending upon the County's financial circumstances. If benefits are authorized on a pay-as-you-go basis and funding is limited by statutory, constitutional, or other legal requirements, a governmental entity may not consider future benefit payment as a legal obligation. The 80th Legislature of the State of Tx addressed this issue by passing HB 2365 allowing the state and political subdivisions of the state the option of following a modified accrual standard of accounting for OPEB, rather than implementing GASB 45. Howard County Commissioners' Court chose to follow HB 2365 rather than implement GASB Statement No. 45.

The following OPEB are subject to approval by the Commissioners' Court on an annual basis.

Health Insurance -

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.

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.

The cost of health insurance benefits is recognized as an expenditure as premiums are paid. For the year ended costs totaled \$219,013 with 52 retiree members receiving 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, 2010, 2011, and 2012 were \$ 33,449, \$32,327 and \$29,974 respectively, which equaled the contractually required contributions each year which included employees and retirees.

D. Employee retirement systems and pension plans

Plan Description. The County provides retirement, disability, and death benefits for all of its employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034 or by calling 800-823-7782.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy. The County has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The County contributed using the actuarially determined rate of 15.33% for the months of the accounting year in 2011, and 15.63% for the months of the accounting year in 2012.

The deposit rate payable by the employee members for calendar year 2012 is the rate of 7% as adopted by the governing body of the employer. For calendar year 2011 the employee deposit rate was 7%. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TDCRS Act.

Annual Pension Cost. The required contribution was determined as part of the December 31, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was 20 years.

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was 73.23 percent funded. The actuarial accrued liability for benefits was \$21,101,452, and the actuarial value of assets was \$15,453,251, resulting in an unfunded (or overfunded) actuarial accrued liability (UAAL) or (OAAL) of \$5,648,201. The covered payroll (annual payroll of active employees covered by the plan) was \$5,572,234 and the ratio of the UAAL or (OAAL) to the covered payroll was 101.36%.

Actuarial Valuation Information

Actuarial valuation date	12/31/09	12/31/10	12/31/11
Actuarial cost method	Entry age	Entry Age	Entry age
Amortization method	Level percentage of Payroll, closed	Level percentage of Payroll, closed	Level percentage of Payroll, closed
Amortization period in years	20.0	20.0	20.0
Asset valuation method:			
Subdivision accum. fund	10-yr smoothed value	10-yr smoothed value	10-yr smoothed value
Employees saving fund	Fund value	Fund value	Fund value
Assumptions:			
Investment return*	8.0%	8.0%	8.0%
Projected salary increases*	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

*includes inflation at the stated rate

E. State Grants/Federal Assistance

The County received the following state grants/federal assistance during the fiscal year:

\$2,000 JAG Grant – Combined Law Enforcement Technology Program

\$168,367 – Federal Funds from FEMA:

\$25,665 (CFDA#97.036) Bundle #16 PW00102(O)

\$ 3,980 (CFDA#97.036) Bundle #15 PW00101(O)

\$11,149 (CFDA#97.036) Bundle #23 PW00209(O)

\$101,591 (CFDA#97.036) Bundle #23 PW00206(O)

\$21,378 (CFDA#97.026) Bundle #31 PW00205

\$4,604 (CFDA#97.026) Bundle #57 PW00103

\$22,895 (cash basis) from the Texas Task Force on Indigent Defense, #212-12-114, for indigent defense services.

\$8,328 Help America Vote Act (HAVA) funds, used for upgrading voting systems to comply with federal standards, in accordance with an agreement with the State of Texas, Office of the Secretary of State, as follows:

<u>SOS GRANT AWARD</u>	<u>CFDA Number</u>	<u>HAVA Section</u>
Co. Education Fund	CFDA 39.011	Title I, Sec. 101
Voting System (punch card/lever) Replacement*	CFDA 39.011	Title I, Sec. 102
Voting System Accessibility	CFDA 90.401	Title II, Sec. 251
General HAVA Compliance	CFDA 90.401	Title II, Sec. 251

*Awarded only to counties that used a punch card or lever voting system in the 2000 federal election.

Howard County, Tx

Required Supplementary Information

Schedule of Funding Progress for the Retirement plan
for the Employees of Howard County

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AL)	Unfunded or (overfunded) actuarial accrued liability	Funded Ratio	(Actuarial) Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	a	b	b-a	a/b	c	b-a/c
12/31/2008	\$12,405,490	\$17,194,321	\$4,788,831	72.15%	\$4,653,489	102.91%
12/31/2009	\$14,260,638	\$19,266,883	\$5,006,245	74.02%	\$5,063,354	98.87%
12/31/2010	\$14,486,626	\$19,670,488	\$5,181,822	73.66%	\$5,290,958	97.94%
12/31/2011	\$15,453,251	\$21,101,452	\$5,648,201	73.23%	\$5,572,234	101.36%

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

Continued

	Assessor Collector Special Inventory Fund	County Attorney Hot Check Fund	District Attorney Hot Check Fund	Sheriff Drug Seizure Fund	District Attorney Drug Seizure Fund	Unclaimed Money Fund	Abandoned Property Fund
Cash	\$ 6,987	\$ 22,774	\$ -	\$ 13,893	\$ 30,904	\$ 9,628	\$ 7,281
Receivables:							
Accounts	-	-	-	-	-	-	-
Total assets	6,987	22,774	-	13,893	30,904	9,628	7,281
Liabilities and Fund Balance							
Liabilities:							
Accounts payable	-	-	-	9,808	322	-	946
Wages payable	-	-	-	-	-	-	-
Total liabilities	-	-	-	9,808	322	-	946
Fund balances:							
Nonspendable							
Inventory	-	-	-	-	-	-	-
Restricted for							
General Government	6,987	22,774	-	4,085	30,582	-	6,335
Unclaimed Funds	-	-	-	-	-	9,628	-
Human Services	-	-	-	-	-	-	-
Total Fund Balance	6,987	22,774	-	4,085	30,582	9,628	6,335
Total liabilities and fund balance	6,987	22,774	-	13,893	30,904	9,628	7,281

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

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

Continued

	Juvenile Delinquency Prevent Fund	Courthouse Security Fund	Justice Court Technology Fund	Alternative Dispute Resolution Fund	Child Abuse Prevention Fund	Election Admin. Fund	Justice Court Bldg. Security Fund	Help America Vote Act Fund
Cash	\$ 23	\$ 7,036	\$ 11,550	\$ 1,976	\$ 450	\$ 32,959	\$ 21,344	\$ (6,066)
Receivables:								
Accounts	-	-	-	18	-	-	-	6,066
Total assets	23	7,036	11,550	1,994	450	32,959	21,344	-
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	-	964	-	1,994	-	-	-	-
Wages payable	-	1,052	-	-	-	-	-	-
Total liabilities	-	2,016	-	1,994	-	-	-	-
Fund balances:								
Nonspendable								
Inventory	-	-	-	-	-	-	-	-
Restricted for								
General Government	23	5,020	11,550	-	450	32,959	21,344	-
Unclaimed Funds	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-
Total fund balances	23	5,020	11,550	-	450	32,959	21,344	-
Total liabilities and fund balance	23	7,036	11,550	1,994	450	32,959	21,344	-

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

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

Continued

	Law Library Fund	Indigent Health Care Fund	District Court Building Fund	Records Management Document Filing Fee Fund	Records Management Court Fees Fund	Vital Records Preservation Co. Clerk Fund	Records Management District Clerk Fund	Records Archive Co. Clerk Fund
Cash	\$ 56,312	\$ 4,810	\$ 1,043	\$ 25,737	\$ 45,344	\$ 13,947	\$ 23,523	\$ 89,692
Receivables:								
Accounts	2,412	-	-	-	-	-	-	-
Total assets	58,724	4,810	1,043	25,737	45,344	13,947	23,523	89,692
Liabilities and Fund Balance								
Liabilities:								
Accounts payable	2,177	79	-	-	277	-	-	-
Wages payable	-	1,839	-	-	-	-	-	-
Total liabilities	2,177	1,918	-	-	277	-	-	-
Fund balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	-	-
Restricted for:								
General Government	56,547	-	1,043	25,737	45,067	13,947	23,523	89,692
Unclaimed Funds	-	-	-	-	-	-	-	-
Human Services	-	2,892	-	-	-	-	-	-
Total fund balances	56,547	2,892	1,043	25,737	45,067	13,947	23,523	89,692
Total liabilities and fund balance	58,724	4,810	1,043	25,737	45,344	13,947	23,523	89,692

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

Howard County, Tx
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2012

	Chapter 19 Fund	Jail Commissary Fund	District Court Records Technology Fund	County Court Technology Fund	District Court Technology Fund	District Court Records Preservation Fund	County Court Records Preservation Fund	Total
Cash	\$ (236)	\$ 32,338	\$ 10,507	\$ 783	\$ 332	\$ 19,299	\$ 5,637	\$ 489,807
Receivables:								
Accounts	236	-	-	-	-	-	-	8,732
Total assets	-	32,338	10,507	783	332	19,299	5,637	498,539
Liabilities and Fund Balance								
Liabilities:								
Accounts payable		2,078	-	-	-	-	-	18,645
Wages payable	-	-	-	-	-	-	-	2,891
Total liabilities	-	2,078	-	-	-	-	-	21,536
Fund balances:								
Nonspendable								
Inventory	-	-	-	-	-	-	-	-
Restricted for								
General Government		30,260	10,507	783	332	19,299	5,637	464,483
Unclaimed Funds	-	-	-	-	-	-	-	9,628
Human Services	-	-	-	-	-	-	-	2,892
Total fund balances	-	30,260	10,507	783	332	19,299	5,637	477,003
Total liabilities and fund balance	-	32,338	10,507	783	332	19,299	5,637	498,539

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

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2012

Continued

	Law Library Fund	Indigent Health Care Fund	District Court Building Fund	Records Management Document Filing Fee Fund	Records Management Court Fees Fund	Vital Records Preservation Co. Clerk Fund	Records Management District Clerk Fund	Records Archive Co. Clerk Fund
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program income	-	-	-	-	-	-	-	-
Fines/fees	27,071	-	-	43,114	11,847	3,809	3,594	42,770
Interest	36	-	2	17	30	9	16	54
Miscellaneous	-	279	-	-	-	-	-	-
Total revenue	27,107	279	2	43,131	11,877	3,818	3,610	42,824
Expenditures:								
Current								
General government	10,325	-	-	25,279	20,732	878	47	-
Welfare/health	-	194,895	-	-	-	-	-	-
Capital expenditures	-	-	13,432	-	-	-	-	-
Total expenditures	10,325	194,895	13,432	25,279	20,732	878	47	-
Excess (deficiency) of revenues over expenditures	16,782	(194,616)	(13,430)	17,852	(8,855)	2,940	3,563	42,824
Other financing sources (uses):								
Operating transfers in	-	197,500	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financial sources (uses)	-	197,500	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	16,782	2,884	(13,430)	17,852	(8,855)	2,940	3,563	42,824
Fund balance-October 1	39,765	8	14,473	7,885	53,922	11,007	19,960	46,868
Fund balance-September 30	\$ 56,547	\$ 2,892	\$ 1,043	\$ 25,737	\$ 45,067	\$ 13,947	\$ 23,523	\$ 89,692

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

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2012

Continued

	Juvenile Delinquency Prevention Fund	Courthouse Security Fund	Justice Court Technology Fund	Child Abuse Prevention Fund	Election Admin. Fund	Justice Court Building Security Fund	Alternative Dispute Resolution Fund	Help America Vote Act Fund
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program income	-	-	-	-	-	-	-	8,328
Fines/fees	-	20,964	9,219	81	5,447	1,689	12,265	-
Interest	-	55	8	12	21	15	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenue	-	21,019	9,227	93	5,468	1,704	12,265	8,328
Expenditures:								
Current								
General government	-	73,719	11,102	-	-	-	12,265	6,066
Welfare/health	-	-	-	-	-	-	-	-
Capital expenditures	-	4,581	-	-	-	-	-	-
Total expenditures	-	78,300	11,102	-	-	-	12,265	6,066
Excess (deficiency) of revenues over expenditures	-	(57,281)	(1,875)	93	5,468	1,704	-	2,262
Other financing sources (uses):								
Operating transfers in	-	47,500	-	-	-	-	-	720
Operating transfers out	-	-	-	-	-	-	-	(4,393)
Total other financial sources (uses)	-	47,500	-	-	-	-	-	(3,673)
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(9,781)	(1,875)	93	5,468	1,704	-	(1,411)
Fund balance-October 1	23	14,801	13,425	357	27,491	19,640	-	1,411
Fund balance-September 30	\$ 23	\$ 5,020	\$ 11,550	\$ 450	\$ 32,959	\$ 21,344	\$ -	\$ -

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

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2012

Continued

	Assessor Collector Special Inventory Fund	County Attorney Hot Check Fund	Sheriff Drug Seizure Fund	District Attorney Drug Seizure Fund	Unclaimed Money Fund	Abandoned Property Fund
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program income	-	-	-	-	-	12,591
Fines/fees	-	25,912	250	4,199	-	-
Interest	5	-	10	23	6	8
Miscellaneous	-	-	-	-	655	-
Total revenue	5	25,912	260	4,222	661	12,599
Expenditures:						
Current						
General government	-	17,986	9,808	2,821	801	23,811
Welfare/health	-	-	-	-	-	-
Capital expenditures	-	2,652	-	2,086	-	-
Total expenditures	-	20,638	9,808	4,907	801	23,811
Excess (deficiency) of revenues over expenditures	5	5,274	(9,548)	(685)	(140)	(11,212)
Other financing sources (uses):						
Operating transfers in	1,964	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financial sources (uses)	1,964	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,969	5,274	(9,548)	(685)	(140)	(11,212)
Fund balance-October 1	5,018	17,500	13,633	31,267	9,768	17,547
Fund balance-September 30	\$ 6,987	\$ 22,774	\$ 4,085	\$ 30,582	\$ 9,628	\$ 6,335

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

Howard County, Tx
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
September 30, 2012

	Chapter 19 Fund	Jail Commissary Fund	District Court Records Technology Fund	County Court Technology Fund	District Court Technology Fund	District Court Records Preservation Fund	County Court Records Preservation Fund	Total
Revenues:								
Intergovernmental	\$ 5,607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,607
Program income	-	38,948	-	-	-	-	-	59,867
Fines/fees	-	-	3,830	412	138	7,566	2,100	226,277
Interest	-	25	7	-	-	12	4	375
Miscellaneous	-	-	-	-	-	-	-	934
Total revenue	5,607	38,973	3,837	412	138	7,578	2,104	293,060
Expenditures:								
Current								
General government	5,607	37,552	-	-	-	-	-	258,799
Welfare/health	-	-	-	-	-	-	-	194,895
Capital expenditures	-	347	-	-	-	-	-	23,098
Total expenditures	5,607	37,899	-	-	-	-	-	476,792
Excess (deficiency) of revenues over expenditures	-	1,074	3,837	412	138	7,578	2,104	(183,732)
Other financing sources (uses):								
Operating transfers in	-	-	-	-	-	-	-	247,684
Operating transfers out	(1,964)	-	-	-	-	-	-	(6,357)
Total other financial sources (uses)	(1,964)	-	-	-	-	-	-	241,327
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,964)	1,074	3,837	412	138	7,578	2,104	57,595
Fund balance-October 1	1,964	29,186	6,670	371	194	11,721	3,533	419,408
Fund balance-September 30	\$ -	\$ 30,260	\$ 10,507	\$ 783	\$ 332	\$ 19,299	\$ 5,637	\$ 477,003

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

INTERNAL SERVICE FUND

Internal service funds are used to account for the financing of goods of services provided by one department to other departments of the government, on a cost reimbursement basis.

This fund is used to account for the rental of motor vehicles to other departments.

Howard County, Tx
Statement of Net Assets
Internal Service Fund
September 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 473,830
Accounts receivable	482
Inventories	38,963
Total current assets	<u>513,275</u>

Noncurrent assets:

Capital assets:

Equipment	4,073,889
Less: accumulated depreciation	(3,039,336)
Total capital assets (net of accumulated depreciation)	<u>1,034,553</u>
Total assets	<u>1,547,828</u>

LIABILITIES

Accounts payable	4,594
Wages payable	2,682
Compensated absences payable	4,938
Total liabilities	<u>12,214</u>

NET ASSETS

Invested in capital assets, net of related debt	1,034,553
Assigned to Equipment Operations	501,061
Total net assets	<u>\$ 1,535,614</u>

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

Howard County, Tx
Statement of Revenues, Expenses, and Change in Fund Net Assets
Internal Service Fund
For the Year Ended September 30, 2012

Operating revenues:	
Charges for services	\$ 831,500
Miscellaneous	504
Total Operating Revenue	<u>832,004</u>
Operating expenses:	
Personnel services	165,782
Liability insurance	23,505
Maintenance and repairs	104,854
Materials	335,965
Equipment rental	1,820
Depreciation	<u>349,288</u>
Total Operating Expense	<u>981,214</u>
Operating income	<u>(149,210)</u>
Nonoperating revenues (expenses):	
Interest on income	243
Contributions from other funds	11,644
Gain (loss) on sale of equipment	<u>9,592</u>
Total nonoperating revenue (expenses)	<u>21,479</u>
Change in net assets	(127,731)
Total net assets - beginning	<u>1,663,345</u>
Toal net assets - ending	<u>\$ 1,535,614</u>

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

**Howard County, Tx
Statement of Cash Flows
Internal Service Fund
For the Year Ended September 30, 2012**

Cash flows from operating activities:	
Cash received from user departments	\$ 831,500
Cash paid to employees	(165,608)
Cash paid to suppliers	(495,978)
Miscellaneous revenue	504
Net cash provided by operating activities	<u>170,418</u>
Cash flows from capital and related financing activities:	
Acquisition of assets	(135,245)
Proceeds from sale of equipment	<u>9,592</u>
Net cash used for capital and related financing activities	<u>(125,653)</u>
Cash flows from investing activities:	
Interest on investments	<u>243</u>
Net cash used in investing activities	<u>243</u>
Net increase in cash and cash equivalents	45,008
Cash and cash equivalent-beginning of year	<u>428,822</u>
Cash and cash equivalent-end of year	<u><u>473,830</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	(149,210)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	349,288
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(150)
(Increase) decrease in inventory	5,609
Increase (decrease) in accounts payable	(35,292)
Increase (decrease) in wages payable	10
Increase (decrease) in compensated absences payable	<u>163</u>
Net cash provided by operating activities	<u><u>\$ 170,418</u></u>

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

HOWARD COUNTY, TEXAS
EQUIPMENT OPERATING INTERNAL SERVICE FUND
SCHEDULE OF FIXED ASSETS

September 30, 2012

	Fixed Assets				Allowance for Depreciation						Net Value Assets
	Balance October 1, 2011	Additions	Deletions	Transfers Between Departments	Balance Sept. 30, 2012	Balance October 1, 2011	Depreciation This Year	Charge Off	Transfers Between Departments	Balance Sept. 30, 2012	
Road and Bridge Department: Vehicles, radio equipment and other equipment	\$3,079,374	\$47,474	(\$76,464)	\$0	\$3,050,384	\$2,111,638	\$219,022	(\$76,464)	\$0	\$2,254,196	\$796,188
Sheriff Department: Vehicles and radio equipment	682,030	87,415	(75,253)	0	694,192	492,605	102,594	(75,253)	0	519,946	174,246
Extension Department: Vehicles	31,167	0	0	0	31,167	12,121	10,389	0	0	22,510	8,657
Courthouse Department: Vehicles	68,884	0	0	0	68,884	62,940	5,944	0	0	68,884	0
Volunteer Fire Department: Vehicles, radio equipment and other equipment	259,390	11,999	(42,127)	0	229,262	204,588	11,339	(42,127)	0	173,799	55,462
Totals	\$4,120,845	\$146,888	(\$193,844)	\$0	\$4,073,889	\$2,883,892	\$349,288	(\$193,844)	\$0	\$3,039,335	\$1,034,553

**Fiduciary
Fund
Type**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. They are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Howard County, Tx
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2012**

ASSETS

Cash and temporary investments	\$ 911,660
Receivables	<u>2,432</u>
Total Assets	<u>914,092</u>

LIABILITIES

Due other funds	18,957
Due others	<u>895,135</u>
Total Liabilities	<u>\$ 914,092</u>

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

Howard County, Tx
Combining Statement of Changes in Fiduciary Assets and Liabilities
September 30, 2012

	Balance 10/1/2011	Additions	Deletions	Balance 9/30/2012
ASSETS				
Cash and temporary investments	\$ 1,785,687	\$ 60,315,191	\$ 61,189,218	\$ 911,660
Receivables	34,369	2,432	34,369	\$ 2,432
Total Assets	\$ 1,820,056	\$ 60,317,622	\$ 61,223,586	\$ 914,092
LIABILITIES				
Accounts payable:				
Due participants	1,791,382	47,840,000	48,736,248	895,135
Due other funds	28,673	12,477,622	12,487,338	18,957
Total Liabilities	\$ 1,820,056	\$ 60,317,622	\$ 61,223,586	\$ 914,092

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

Capital Assets

The capital assets of the County include land, buildings, building improvements, machinery and infrastructure that are used in operations and that have initial useful lives extending beyond a single reporting period.

Infrastructure, such as roads, are reported prospectively, not retroactively, beginning with the 2004 fiscal year.

These schedules do not include the capital assets of the Internal Service Fund. See Internal Service Fund section of this report for that information.

Howard County, Tx
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
September 30, 2012

Governmental funds capital assets:

Land	\$ 590,476
Buildings & Improvements	19,962,446
Machinery and Equipment	1,216,475
Infrastructure	-
Total governmental funds capital assets	<u><u>21,769,397</u></u>

**Investments in governmental funds capital
assets by source:**

Acquisitions before 1978	1,297,536
General Fund	2,192,857
Capital Projects Fund	16,978,598
Records Management Fund	120,585
Courthouse Security Fund	43,800
D.A. Forfeiture Fund	15,992
Revenue Sharing Fund	39,232
HAVA Fund	234,704
Airport Fund	445,306
Donations and Grants	400,787
Total governmental funds capital assets	<u><u>\$ 21,769,397</u></u>

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

Howard County, Tx
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2012

Function/Activity	Land	Buildings	Equipment	Infra-structure	Total
General Government:					
Judicial	\$ -	\$ -	\$ 202,386	\$ -	\$ 202,386
Staff Agencies:					
Elections	-	-	318,106	-	318,106
Executive and Financial	-	-	160,759	-	160,759
Total Staff Agencies	-	-	478,865	-	478,865
Public Safety:					
Police Protection	-	-	174,082	-	174,082
Fire Protection	10,150	-	-	-	10,150
Protective Inspection	-	-	-	-	-
Other	-	-	-	-	-
Corrections	-	-	168,868	-	168,868
Total Public Safety	10,150	-	342,950	-	353,100
Government:					
Buildings-Courthouse, Annex, Jail, Showbarn Warehouse and Shop	490,514	18,123,632	138,085	-	18,752,231
Public Welfare	-	-	-	-	-
Waste Removal	18,539	-	-	-	18,539
Library	-	1,464,781	54,189	-	1,518,970
Conservation of Natural Resources	-	-	-	-	-
Airport	71,273	374,033	-	-	445,306
Total General Fixed Assets	\$ 590,476	\$ 19,962,446	\$ 1,216,475	\$ -	\$ 21,769,397

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

Howard County, Tx
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the fiscal year ended September 30, 2012

Function/Activity	General Fixed Assets 10/1/2011	Additions	Deletions	Transfers/ Adjustments Between Departments	General Fixed Assets 9/30/2012
General Government:					
Judicial	\$ 202,386	\$ -	\$ -	\$ -	202,386
Staff Agencies:					
Elections	318,106	-	-	-	318,106
Executive and Financial	179,606	18,847	-	-	160,759
Total Staff Agencies	497,712	-	18,847	-	478,865
Public Safety:					
Police Protection	102,959	71,123	-	-	174,082
Fire Protection	10,150	-	-	-	10,150
Protective Inspections	-	-	-	-	-
Other Inspections	-	-	-	-	-
Corrections	168,868	-	-	-	168,868
Total Public Safety	281,977	71,123	-	-	353,100
Government:					
Buildings-Courthouse, Annex, Jail, Showbarn, Warehouse, Shop, Dist. Court Bldg.	16,353,568	2,398,663	-	-	18,752,231
Welfare/Health	-	-	-	-	-
Waste Removal	18,539	-	-	-	18,539
Library	1,518,970	-	-	-	1,518,970
Conservation of Natural Resources	-	-	-	-	-
Airport	445,306	-	-	-	445,306
Total General Fixed Assets	\$ 19,318,458	\$ 2,469,786	\$ 18,847	\$ -	21,769,397

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

**STATISTICAL
SECTION
(unaudited)**

Howard County, Tx
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

Continued

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Governmental activities:				
General government	\$ 4,304,581	\$ 4,329,636	\$ 4,466,001	\$ 4,626,553
Public safety	1,985,999	2,098,240	3,166,509	2,610,727
Road maintenance	1,091,545	1,140,233	1,263,067	1,025,020
Health/Welfare	696,661	654,216	562,190	564,412
Conservation of natural resources	98,466	105,215	123,695	120,296
Culture and Recreation	407,932	430,666	461,765	372,652
Intergovernmental	556,368	650,371	716,483	749,965
Interest on long-term debt	65,238	36,555	33,612	30,518
Vehicle operation	726,357	800,691	839,277	914,811
Other	147,215	109,642	300	300
Total governmental activities expenses	<u>10,080,362</u>	<u>10,355,465</u>	<u>11,632,899</u>	<u>11,015,254</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	2,221,226	2,340,574	2,215,546	2,831,982
Public safety	117,475	116,551	115,920	97,025
Road maintenance	720,704	720,110	715,071	712,381
Health/Welfare	287,982	341,915	91,887	17,303
Culture and Recreation	8,995	8,974	7,490	7,786
Operating grants and contributions	66,530	101,256	134,598	75,324
Total governmental activities program revenue	<u>3,422,912</u>	<u>3,629,380</u>	<u>3,280,512</u>	<u>3,741,801</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes	6,596,096	7,023,504	7,618,171	9,473,482
Intergovernmental	284,384	311,868	513,359	405,823
Other/Miscellaneous/Interest	191,284	257,241	289,711	679,989
Total governmental activities	<u>7,071,764</u>	<u>7,592,613</u>	<u>8,421,241</u>	<u>10,559,294</u>
Change in Net Assets	<u>\$ 414,314</u>	<u>\$ 866,528</u>	<u>\$ 68,854</u>	<u>\$ 3,285,841</u>

Howard County, Tx
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses				
Governmental activities:				
General government	\$ 5,164,305	\$ 4,802,531	\$ 5,350,904	\$ 6,058,590
Public safety	2,992,499	3,199,696	3,429,050	3,845,737
Road maintenance	1,343,694	1,365,818	1,689,314	1,471,105
Health/Welfare	238,925	303,919	202,188	194,959
Conservation of natural resources	147,815	148,627	118,912	107,141
Culture and Recreation	400,348	394,021	435,451	454,250
Intergovernmental	747,377	834,561	834,952	779,335
Interest on long-term debt	917,046	541,962	526,838	510,546
Vehicle operation	819,048	902,352	1,009,550	981,214
Other	800	800	800	800
Total governmental activities expenses	<u>12,771,857</u>	<u>12,494,287</u>	<u>13,597,959</u>	<u>14,403,677</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	1,628,656	1,639,117	1,787,849	1,848,556
Public safety	104,833	123,926	160,621	64,356
Road maintenance	703,316	668,420	662,569	665,075
Health/Welfare	-	-	-	0
Culture and Recreation	6,787	5,796	5,328	6,293
Operating grants and contributions	152,053	46,566	98,013	1,860,706
Total governmental activities program revenue	<u>2,595,645</u>	<u>2,483,825</u>	<u>2,714,380</u>	<u>4,444,986</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes	10,732,236	11,356,869	11,288,861	11,128,989
Intergovernmental	209,078	425,237	357,900	762,296
Other/Miscellaneous/Interest	353,867	288,133	235,814	185,444
Total governmental activities	<u>11,295,181</u>	<u>12,070,239</u>	<u>11,882,575</u>	<u>12,076,729</u>
Change in Net Assets	<u>\$ 1,118,969</u>	<u>\$ 2,059,777</u>	<u>\$ 998,996</u>	<u>\$ 2,118,038</u>

Howard County, Tx
Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$ 31,764	\$ 29,223	\$ 31,806	\$ 24,163	\$ 24,017
Unreserved	1,377,883	1,785,359	844,916	1,467,877	4,560,683
Total general fund	<u>1,409,647</u>	<u>1,814,582</u>	<u>876,722</u>	<u>1,492,040</u>	<u>4,584,700</u>
All other governmental funds					
Unreserved, reported in:					
Road & Bridge Fund	360,078	88,149	32,965	366,325	636,402
Tobacco Fund	819,648	884,789	958,689	1,061,836	1,140,435
Nonmajor Funds	400,524	444,805	497,881	328,615	404,269
Jail Construction Fund	-	-	-	7,536,945	-
Reserved in Debt Service Fund	-	-	205	86,391	493,355
Reserved for Claimants	12,598	2,771	7,973	5,401	6,562
Total all other governmental funds	<u>\$ 1,592,848</u>	<u>\$ 1,420,514</u>	<u>\$ 1,497,713</u>	<u>\$ 9,385,513</u>	<u>\$ 2,681,023</u>
	<u>2010</u>	<u>2011</u>	<u>2012</u>		
General Fund					
Reserved	\$ 40,999	\$ 42,465	\$33,596		
Unreserved	6,017,132	7,167,621	6,710,105		
Total general fund	<u>\$ 6,058,131</u>	<u>7,210,086</u>	<u>6,743,701</u>		
All other governmental funds					
Unreserved, reported in:					
Road & Bridge Fund	806,046	823,459	807,349		
Tobacco Fund	1,554,004	1,967,851	2,318,197		
Nonmajor Funds	461,443	409,640	467,375		
Reserved in Debt Service Fund	96,414	82,528	69,996		
Reserved for Capital Pro. Fund	0	-	243,286		
Reserved	9,003	9,768	9,628		
Total all other governmental funds	<u>2,926,910</u>	<u>\$ 3,293,246</u>	<u>\$3,915,831</u>		

Howard County, Tx
Changes in Fund Balances of Governmental Funds
Last Eight Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012
Revenues								
Taxes	\$ 6,437,436	\$ 6,834,256	\$ 7,144,582	\$ 8,192,941	\$ 12,490,853	\$ 11,318,570	\$ 11,247,178	\$ 11,110,075
License and permits	723,598	726,106	719,918	717,395	709,907	676,581	664,431	2,372,960
Intergovernmental	431,802	575,982	517,206	421,663	361,131	458,012	453,913	912,674
Charges for services	930,724	1,007,533	1,274,230	1,266,336	1,195,211	1,075,316	1,213,206	1,236,558
Fines	821,339	827,282	651,648	804,698	806,164	797,162	805,359	716,237
Miscellaneous	245,470	309,849	397,599	681,071	322,943	264,739	208,073	163,462
Total revenues	9,590,369	10,281,008	10,705,183	12,084,104	15,886,209	\$ 14,590,380	\$ 14,592,160	\$ 16,511,966
Expenditures								
General government	4,224,152	5,166,249	4,288,933	4,486,917	4,459,908	4,436,678	4,714,696	4,599,221
Public safety	1,985,999	2,090,222	3,133,466	2,649,767	2,941,827	3,188,651	3,402,686	3,702,897
Road maintenance	1,341,545	705,517	1,957,578	1,725,106	2,315,725	2,156,083	2,277,344	2,054,305
Health/Welfare	677,221	636,342	559,710	564,286	236,227	303,373	200,764	196,000
Conservation of natural resources	98,466	105,352	123,336	121,516	145,570	148,202	119,839	107,141
Culture and recreation	406,654	430,505	453,652	371,007	396,619	393,089	428,680	390,566
Intergovernmental	556,368	650,371	716,483	749,965	747,377	834,561	832,952	779,335
Debt service	143,385	131,915	133,990	135,915	969,136	939,614	943,614	942,539
Capital outlay	144,426	109,342	201,938	3,953,611	7,284,704	487,793	153,962	3,574,093
Other	22,405	19,858	400	381,541	800	0	800	800
Total expenditures	9,600,621	10,045,673	11,569,486	15,139,631	19,497,893	12,888,044	13,075,337	16,346,897
Excess of revenues over (under) expenditures	(10,252)	235,335	(864,303)	(3,055,527)	(3,611,684)	1,702,336	1,516,823	165,069
Other financing sources (uses)								
Transfers in	603,895	463,013	241,408	347,059	683,615	951,517	824,232	1,652,684
Transfers out	(603,895)	(463,013)	(241,408)	(347,059)	(683,615)	(951,517)	(824,232)	(1,652,684)
Bond proceeds	-	-	-	11,570,000	-	-	-	-
Total other financing sources (uses)	-	-	-	11,570,000	-	0	0	0
Net change in fund balances	\$ (10,252)	\$ 235,335	\$ (864,303)	\$ 8,514,473	\$ (3,611,684)	\$ 1,702,336	\$ 1,516,823	\$ 165,069
Debt service as a percentage of noncapital expenditures	1.54%	1.35%	1.19%	1.23%	8.62%	8.20%	7.88%	7.97%

Howard County, Tx
Government-wide Revenues
Last Eight Fiscal Years

Fiscal Year	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	All Other	Total
Before 2005 Unavailable						
2005	3,356,382	66,530	-	6,596,096	475,668	10,494,676
2006	3,528,124	71,241	30,015	7,023,504	569,109	11,221,993
2007	3,145,914	134,598	-	7,618,171	803,070	11,701,753
2008	3,666,477	75,324	-	9,473,482	1,085,812	14,301,095
2009	2,443,592	152,053	-	10,732,236	562,945	13,890,826
2010	2,451,050	32,775	-	11,356,869	713,370	14,554,064
2011	2,616,367	98,013	-	11,288,861	593,714	14,596,955
2012	2,584,280	160,706	1,700,000	11,128,989	947,740	16,521,715

Howard County, Tx
Government-wide Expenses by Function
Last Eight Fiscal Years
(accrual basis of accounting)

Fiscal Year	General Government	Public Safety	Road Maint.	Health Welfare	Conservation of Natural Resources	Culture and Recreation	Inter-governmental	Interest on Long-Term Debt	Vehicle Operation	Other	Total
Before 2004											
unavailable											
2005	\$4,304,581	\$1,985,999	\$1,091,545	\$696,661	\$98,466	\$407,932	\$556,368	\$65,238	\$726,357	\$147,215	\$10,080,362
2006	4,329,636	2,098,240	1,140,233	654,216	105,215	430,666	650,371	36,555	800,691	109,642	10,355,465
2007	4,466,001	3,166,509	1,263,067	562,190	123,695	461,765	716,483	33,612	839,277	300	11,632,899
2008	4,626,553	2,610,727	1,025,020	564,412	120,296	372,652	749,965	30,518	914,811	300	11,015,254
2009	5,164,305	2,992,499	1,343,694	238,925	147,815	400,348	747,377	917,046	819,068	800	12,771,877
2010	4,802,531	3,199,696	1,365,818	303,919	148,627	394,021	834,561	541,962	902,352	800	12,494,287
2011	5,350,904	3,429,050	1,689,314	202,188	118,912	435,451	834,952	526,838	1,009,550	800	13,597,959
2012	6,058,590	3,845,737	1,471,105	194,959	107,141	454,250	779,335	510,546	981,214	800	14,403,677

Howard County, Tx
Taxable Assessed Value and Actual Value of Property
Last Nine Fiscal Years

Fiscal Year Ended	Non- Producing Property	Local Real and Personal Property				Intangible Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total County Tax Rate (per \$100) Value
		Mineral Property	Industrial Property	Personal Property					
2004	\$ -	\$ 355,980,298	\$ 320,158,166	\$ 829,782,140	\$ 1,926,540	\$ (363,123,007)	\$ 1,144,724,137	0.55337	
2005	-	423,816,055	215,262,940	951,867,843	1,948,961	(349,934,828)	1,242,960,971	0.54546	
2006	-	573,751,875	242,827,750	1,062,999,344	1,876,143	(370,806,691)	1,510,648,421	0.48787	
2007	114,805	632,145,490	693,637,675	1,009,723,024	1,857,232	(463,869,304)	1,873,608,922	0.48787	
2008	-	883,837,505	353,823,074	1,284,986,742	1,976,545	(321,724,721)	2,202,899,145	0.53625	
2009		686,650,027	618,386,047	1,075,343,231	2,091,974	(473,841,000)	1,908,630,229	0.57866	
2010	-	964,789,567	732,929,158	967,798,817	2,060,731	(528,653,079)	2,138,925,194	0.52240	
2011		1,206,356,447	841,771,143	979,533,594	2,433,694	(495,426,198)	2,534,668,680	0.43672	
2012		1,960,081,512	969,110,499	916,396,850	2,484,546	(355,229,874)	3,492,843,533	0.33000	

Source: Howard County Tax Assessor-Collector

Howard County, Tx
Direct and Overlapping Property Tax Rates
Last Ten Years

Howard County Direct Rates							Overlapping Rates						
Permian Basin							School						
Underground Water							City						
Conservation District							Forsan						
Howard College							Forsan						
Total Howard County							Forsan						
Debt Service							Forsan						
Road and Bridge							Forsan						
General Fund							Forsan						
Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total	
	0.41626	0.49186	0.50184	0.49728	0.43958	0.44454	0.456347	0.513629	0.444558	0.371455	0.279393	7.04598	
	0.04500	0.04500	0.04000	0.04000	0.03915	0.03585	0.032916	0.037474	0.034268	0.028852	0.025080	7.19145	
	0.01232	0.01314	0.01153	0.00818	0.00914	0.00748	0.046991	0.027553	0.043580	0.036413	0.025527	7.17930	
	0.47358	0.55000	0.55337	0.54546	0.48787	0.48787	0.536254	0.578656	0.522406	0.436720	0.330000	7.20493	
	0.26985	0.27561	0.27561	0.27300	0.24120	0.28908	0.278000	0.315538	0.285618	0.238507	0.176616	6.65698	
	0.01512	0.01638	0.01535	0.01350	0.01850	0.01805	0.014730	0.018050	0.013393	0.010810	0.007023	6.56538	
	0.65630	0.68630	0.71630	0.71630	0.71630	1.02276	1.013243	1.013243	0.999500	0.949500	0.865043	6.56538	
	0.64195	0.64195	0.59746	0.60902	0.60902	0.50054	0.467066	0.451220	0.451220	0.451220	0.451220	6.56538	
	0.41288	0.44491	0.44491	0.30260	0.28000	0.20702	0.136958	0.191599	0.361468	0.350000	0.325000	5.905841	
	1.57630	1.57630	1.57630	1.57630	1.43409	1.10409	1.119890	1.119500	1.449500	1.439500	1.356500	5.905841	
	1.50000	1.50000	1.50000	1.50000	1.37000	1.29000	1.210000	1.099300	1.285000	1.270000	1.080910	5.905841	
	7.04598	7.19145	7.17930	7.20493	6.65698	6.56538	5.905841	6.655762	6.468675	6.243057	6.192312	7.04598	

Source: Tax Assessor-Collector

Howard County, Tx
Principal Taxpayers
Current Year and Nine Years Ago

2012			2003		
<u>Taxpayer</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Taxpayer</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
CONOCOPHILLIPS CO	\$285,611,385	11.27%	FINA OIL AND CHEMICAL CO	\$74,652,300	5.02%
ALON USA LP	225,299,050	8.89%	WESTERN CONTAINER CORP	39,660,310	2.67%
ENDEAVOR ENERGY RESOURCES LP	141,793,693	5.59%	POWER RESOURCES INC	35,812,100	2.41%
LINN OPERATING INC	129,095,151	5.09%	KERR-MCGEE OIL & GAS	31,837,110	2.14%
J.ARON & CO	113,914,331	4.49%	CONOCO INC	29,546,443	1.99%
SHERIDAN PRODUCTION CO LLC	106,909,799	4.22%	ANADARKO PETROLEUM CORP	25,297,040	1.70%
CROWNQUEST OPERATING LLC	106,032,097	4.18%	SID RICHARDSON CARBON LTD	22,699,190	1.53%
APACHE CORPORATION	79,960,088	3.15%	ONCOR ELECTRIC DELIVERY	20,706,760	1.39%
ENERGEN RESOURCES CORP	74,210,829	2.93%	DEVON SFS OPERATING INC	17,336,200	1.17%
ROBINSON DRILLING OF TEXAS INC	63,994,562	2.52%	SOUTHWESTERN BELL TELEPHONE	13,978,980	0.94%
Total	\$1,326,820,985	52.35%	Total	\$311,526,433	20.96%

Source: Howard County Tax Assessor-Collector

Howard County, Tx
Property Tax Levies and Collections
Last Ten Years - July 1 through June 30

Fiscal Year	Taxes Levied for the Fiscal Year	Amount Collected within the Fiscal Year of Levy	Percentage of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percentage of Levy Collected
2002-03	\$ 5,379,311	\$ 5,178,257	96%	\$ 127,155	\$ 5,305,413	99%
2003-04	\$ 6,118,768	\$ 5,937,906	97%	\$ 132,915	\$ 6,070,821	99%
2004-05	\$ 6,334,563	\$ 6,114,526	97%	\$ 185,262	\$ 6,299,788	99%
2005-06	\$ 6,779,848	\$ 6,441,794	95%	\$ 154,762	\$ 6,596,586	97%
2006-07	\$ 7,371,784	\$ 6,813,776	92%	\$ 158,788	\$ 6,972,564	95%
2007-08	\$ 9,144,533	\$ 7,797,078	85%	\$ 281,349	\$ 8,078,427	88%
2008-09	\$ 11,834,138	\$ 11,117,947	94%	\$ 1,036,688	\$ 12,154,635	103%
2009-10	\$ 11,037,141	\$ 10,893,417	99%	\$ 139,239	\$ 11,032,656	100%
2010-11	\$ 11,166,256	\$ 10,885,560	97%	\$ 1,341,146	\$ 12,226,706	109%
2011-12	\$ 11,072,495	\$ 10,774,244	97%	\$ 218,664	\$ 10,992,908	99%

Source: Howard County Tax Assessor-Collector

Note 1: In Feb. 2008, Alon taxes for 2006 and 2007 were collected.

Alon paid the 2009 taxes as of June 2010 but the actual payment was posted in July 2010

Howard County, Tx
Ratios of General Bonded Debt Outstanding
Last Seven Fiscal Years

Fiscal Year	Population	General Obligations Bonds	Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita
2005	33,627	\$ 1,165,000	\$ 1,242,960,971	0.09%	\$ 34.64
2006	33,627	\$ 1,070,000	\$ 1,510,648,421	0.07%	\$ 31.82
2007	33,627	\$ 970,000	\$ 1,873,608,922	0.05%	\$ 28.85
2008	33,627	\$ 12,435,000	\$ 2,202,899,145	0.56%	\$ 369.79
2009	33,627	\$ 12,325,000	\$ 1,908,630,229	0.65%	\$ 366.52
2010	35,012	\$ 11,930,000	\$ 2,138,925,194	0.56%	\$ 354.77
2011	35,012	\$ 11,515,000	\$ 2,534,668,680	0.45%	\$ 328.89
2012	35,012	\$ 11,085,000	\$ 3,492,843,533	0.32%	\$ 316.61

Source for population: www.epodunk.com and U.S. Census Bureau

Source for taxable value of property: Howard County Tax Assessor-Collector

Howard County, Tx
Overlapping Debt Repaid With Property Taxes

Governmental Entity	Year-End Debt Outstanding (Note 1)
Howard County	\$11,085,000
Cities:	
City of Big Spring	15,793,045
City of Coahoma	0
School Districts:	
Big Spring ISD	63,325,000
Sands ISD	3,080,000 Note 2
Coahoma ISD	13,521,523
Forsan ISD	3,587,625
Special Districts:	
Howard College	<u>18,155,000</u>
Total	<u><u>\$128,547,193</u></u>

Note 1. September 30 is Year End for County and Cities

August 31 is Year End for School and Special Districts

Note 2. It is estimated less than 25% of the ISD is in Howard County.

Howard County, Tx
County Employees by Function (1)
Last Ten Fiscal Years
(Unaudited)

	<u>2012 (2)</u>		<u>2011 (2)</u>		<u>2010 (2)</u>		<u>2009 (2)</u>		<u>2008 (2)</u>		<u>2007 (2)</u>		<u>2006 (2)</u>		<u>2005 (2)</u>		<u>2004 (2)</u>		<u>2003 (2)</u>	
	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT	FT	PT
Judicial																				
District Judge	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0
Justices of Peace	7	0	7	0	7	0	7	0	7	0	7	0	7	0	7	0	7	0	7	0
District Clerk	4	0	4	0	4	0	3	1	4	1	4	0	4	0	4	0	4	0	4	0
County Attorney	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0
County Clerk	6	1	6	1	6	0	6	0	6	0	7	0	6	0	7	0	7	0	7	0
District Attorney	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0	5	0
Court Collector	0	0	0	0	0	0	0	0	2	0	2	0	2	0	2	0	2	0	0	0
Executive																				
County Judge	2	0	2	0	2	0	2	0	2	0	2	0	2	0	2	0	2	1	3	0
County Commissioners	4	0	4	0	4	0	4	0	4	0	4	0	4	0	4	0	4	0	4	0
Financial Administration																				
County Treasurer	2	0	2	0	1.5	0	1.5	0	1.5	0	1.5	0	1.5	0	1.5	0	1.5	0	1.5	0
County Auditor	3	0	3	0	3.5	0	3.5	0	3.5	0	3.5	0	3.5	0	3.5	0	3.5	0	3.5	0
Tax Assessor-Collector	8	0	8	0	8	0	8	0	7	0	7	0	8	0	8	0	9	0	7	0
Information Technology	1	0	1	0																
Elections	1	1	1	1	1	2	1	2	1	2	1	2	1	1	1	2	0	0	0	0
Courthouse Maintenance	3	0	3	0	3	0	3	0	3	0	4	1	5	0	4	0	4	0	4	0
Sheriff	18	0	17	0	16	0	21	0	18	2	17	1	16	3	18	2	18	1	18	1
Jail	23	3	26	8	25	3	18	4	9	5	10	5	11	3	11	3	11	6	11	5
Joint Law Enforcement	10	0	0	0																
Detention	0	7	0	7	0	5	0	8	0	3	0	6	0	8	0	4	0	7	0	8
State (DPS)	1	0	1	0	1	0	1	0	1	0	1	0	1	0	1	0	0	1	0	1
Constable	1	0	1	0	1	0	1	0	1	0	0	0	0	1	0	1	0	3	0	3
Task Force	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0
County Extension Agents	1	0	2	1	4	0	4	0	4	0	3	0	4	1	3	0	3	1	3	0
Library	5	1	6	1	6	1	6	1	6	1	8	1	8	1	7	3	7	3	8	1
Law Library	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Indigent Health Care	3	1	3	1	3	1	3	2	2	1	2	1	2	1	2	0	2	1	2	0
Courthouse Security	1	0	1	0	1	0	1	0	1	0	1	0	1	0	1	0	1	0	1	0
Road & Bridge	17	0	18	0	19	2	17	1	17	0	19	1	20	1	20	1	19	1	20	1
Equipment Operating	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0	3	0
Senior Citizens Center	0	0	0	0	0	0	0	0	0	0	3	3	2	2	5	2	4	3	4	3
Total	135	14	130	18	130	14	125	19	114	15	121	21	123	22	126	18	123	28	124	23

(1) Source: County Treasurer

(2) Number of Employees on payroll at September 30th of each year

FT = full time PT = part time

Howard County, Tx
Demographic and Statistical Information
Source: <http://en.wikipedia.org>

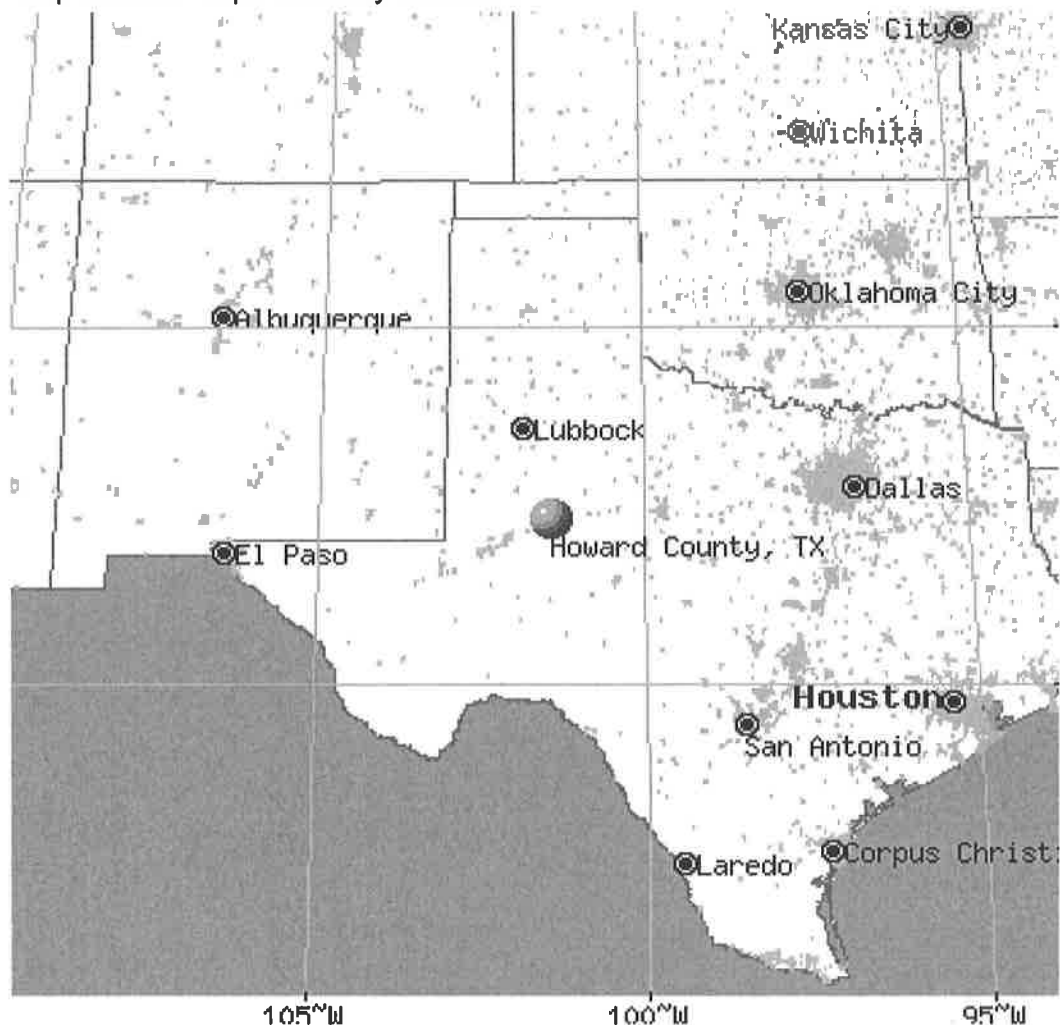
Howard County is a county located in the U.S. state of Texas. Its county seat is Big Spring. Howard County is named for Volney E. Howard, a U. S. Congressman from Texas.

Geography: According to the U.S. Census Bureau, the county has a total area of 904 mi., 903 mi. of it is land and 1 mi. is water.

Major Highways: Interstate 20, U. S. Highway 87, State Highways 176 and 350.

Adjacent Counties: Borden (north), Mitchell (east), Sterling (southeast), Glasscock (south), and Martin (west)

Map Source: <http://www.city-data.com>



Howard County, Tx
Miscellaneous Statistics
Last Eight Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Roads by commissioner precinct. Source: Road Administrator								
Miles of paved roads:								
Precinct 1	60.25	60.25	60.25	60.25	60.25	60.25	60.25	60.25
Precinct 2	59.90	59.90	59.90	59.90	59.90	59.90	59.90	59.90
Precinct 3	54.20	54.20	54.20	54.20	54.20	54.20	54.20	54.20
Precinct 4	94.25	94.25	94.25	94.25	94.25	94.25	94.25	94.25
Total miles of paved roads	268.60	268.60	268.60	268.60	268.60	268.60	268.60	268.60
Miles of unpaved roads:								
Precinct 1	89.000	89.000	89.000	89.000	89.000	89.000	89.000	89.000
Precinct 2	54.634	54.634	54.634	54.634	54.634	54.634	54.634	54.634
Precinct 3	24.300	24.300	24.300	24.300	24.300	24.300	24.300	24.300
Precinct 4	106.250	106.250	106.250	106.250	106.250	106.250	106.250	106.250
Total miles of unpaved roads	274.184	274.184	274.184	274.184	274.184	274.184	274.184	274.184

Source: Chief Deputy Sheriff's Office

Calls for service	2,897	3,529	3,754	3,836	2,041	4,801	5,481	6,929
Civil papers served	1,514	2,629	2,521	3,315	1,873	2,775	2,233	2,618
Reports taken	472	528	531	580	513	748	735	742
People processed through the jail (calendar year)	1,957	2,190	1,889	2,116	1,827	3,228	3,029	3,064

Library statistics. Source: County Librarian

Volumes in collection	64,158	66,622	68,539	70,296	72,233	65,451	69,923	65,907
Total volumes borrowed	78,578	77,636	65,501	62,758	64,868	64,317	69,778	46,894
Card holders of record	9,184	9,878	9,842	6,607	6,434	8,120	9,213	9,942
Percentage of the county population with a library card	27%	30%	29%	20%	19%	23%	26%	28%
Times internet used by patrons	10,717	10,556	9,080	7,718	10,042	9,749	7,581	6,329
Number of check-outs of library materials:								
Adults	23,944	38,313	30,636	33,756	33,482	31,612	29,988	26,455
Juveniles	18,915	15,714	19,600	13,642	14,795	16,591	17,322	15,147
Videos/DVDs	15,864	10,447	8,103	5,567	4,272	3,844	3,378	2,991
Young adult	2,391	2,466	2,008	1,993	2,277	2,521	4,388	2,300
Number of hours open per year	2,506	2,500	2,200	2,392	2,392	2,400	2,382	2,340

Independent Auditor's Section

**DON H. STEPHENS CPA, P.C.
A PROFESSIONAL CORPORATION
703 SOUTH FIRST STREET
LAMESA, TEXAS 79331**

MEMBER AICPA
806 872 3233 VOICE

MEMBER TSCPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDIT STANDARDS**

To the Honorable County Judge, Commissioners Court
And County Auditor of
Howard County, Texas

We have audited the accompanying financial statements of the governmental activities, and each major fund and the Aggregate remaining fund information of Howard County, as of and for the year ended, September 30, 2012, which Collectively comprise Howard County's basic financial statements and have issued our report thereon dated January 4, 2013. 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 *Governmental Auditing Standards*, issued by The Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Howard County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Howard County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant Deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Howard County's ability To initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting Principles such that there is more than a remote likelihood that a misstatement of Howard County's financial statements That is more than inconsequential will not be prevented or detected by Howard County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a Remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Howard County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first Paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting That we consider to be weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information and use of management, Commissioners' Court, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distributions is not limited.

Don H. Stephens CPA PC

DON H. STEPHENS CPA, P.C.

January 4, 2013

**HOWARD COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

A. Summary of Auditor's Results

An unqualified opinion was issued on the general purpose financial statements.

The audit disclosed no compliance which is material to the Financial Statements.

Major programs are as follows:

None

B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted United States Government Auditing Standards.

None

C. Findings and Questioned Costs for Federal Awards

<u>Program</u>	<u>Findings/Non Compliance</u>	<u>Questioned Costs</u>
None	None	\$ None