

**ANNUAL FINANCIAL REPORT**  
**HOUSTON COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2005**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**HOUSTON COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

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# ***Audit Highlights***

Annual Financial Report  
Houston County, Tennessee  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2005.

## ***Results***

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include one component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in 11 findings and recommendations, which we have reviewed with Houston County management. Detailed findings and recommendations are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF COUNTY MAYOR**

- ◆ A formal purchase order system had not been established.
  - ◆ The office had accounting deficiencies. Receivables, payables, and reserves at June 30, 2005, were not properly determined and recorded on the accounting records, and several General Fund expenditures were coded to expenditure accounts that did not reflect the true nature of the expenditures.
  - ◆ A notice of the county's intent to make an appropriation to a nonprofit organization specifying the amount and purpose of the appropriation was not published in a newspaper of general circulation as required by state statute. Also, the office did not require the nonprofit organization to verify that the funds were expended for the intended purpose.
  - ◆ The Ambulance Service did not prepare a listing of accounts receivable at June 30, 2005.
-

## **OFFICE OF ROAD SUPERINTENDENT**

- ◆ Purchase orders were not issued for some applicable purchases.
- 

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ In several instances, the office issued purchase orders after purchases were made.
- 

## **OFFICE OF COUNTY CLERK**

- ◆ The clerk did not deposit collections intact; i.e., funds collected during a specific period of time were not deposited together.
- 

## **OFFICE OF SHERIFF**

- ◆ Bank statements were not reconciled with inmate and commissary general ledger accounts, and lists of outstanding checks were not prepared monthly. Accounting records for the inmate and commissary accounts operations did not balance. Also, the office did not calculate and remit the profits earned from the commissary operations to the county.
  - ◆ Fees and county revenues collected were not reported and paid to the county trustee monthly as required by state statute.
- 

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.

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# INTRODUCTORY SECTION

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Houston County Officials  
June 30, 2005

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Officials:

George Clark, County Mayor  
Gary Booker, Road Superintendent  
Cathy Harvey, Director of Schools  
Annette Baggett, Trustee  
Tyanne Morrison, Assessor of Property  
Robert Brown, County Clerk  
Cora Sue McMillan, Circuit and General Sessions Courts Clerk  
Patsy Brooks, Clerk and Master  
Sherrill Moore, Register  
Kennith Barnes, Sheriff

Board of County Commissioners:

George Clark, Chairman  
Harry Batten, Chairman Pro-Tem  
Charles Arnold, Jr.  
Phil Averitt  
Sammie J. Bass, Jr.  
Nelda Ellingson  
Ray Elliott  
Randall French

James Fussell  
Steve Hall  
Darrell Kingsmill  
Donnie Lewis  
Chris Selph  
Larry Sykes  
James Van Fleet

Budget Committee:

Harry Batten, Chairman  
Charles Arnold, Jr.  
Sammie J. Bass, Jr.  
Nelda Ellingson  
Randall French  
James Fussell  
Steve Hall  
Darrell Kingsmill  
Chris Selph  
Larry Sykes  
James Van Fleet

Highway Commission:

George Clark, Chairman  
Charles Arnold, Jr.  
Phil Averitt  
Gary Booker  
Darrell Kingsmill

Board of Education:

Camille Lashlee, Chairman  
Tommy Beechum  
Kendall Coleman  
Charlie Ligon  
Robert Mitchell  
Carlisle W. Mitchum, III  
Robert Skelton

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

January 20, 2006

Houston County Mayor and  
Board of County Commissioners  
Houston County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Houston County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Houston County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Houston County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

The financial statements of the Houston County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component unit's financial statements referred to above do not include amounts for the

Houston County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Houston County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Houston County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 20, 2006, on our consideration of Houston County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

As described in Note V.B., Houston County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

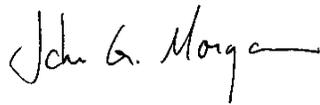
A management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board; however, management has chosen to exclude a management's discussion and analysis section.

The budgetary comparison information on pages 49 through 55 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 financial statements that collectively comprise Houston County's basic financial statements. The introductory

section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Houston County School Department (a discretely presented component unit), miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Houston County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Houston County, Tennessee  
Statement of Net Assets  
June 30, 2005

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Houston County School Department</u>
<u>ASSETS</u>		
Cash	\$ 11,590	\$ 0
Equity in Pooled Cash and Investments	2,775,304	1,459,112
Accounts Receivable	200,843	0
Due from Other Governments	340,423	101,323
Due from Component Unit	25	0
Accrued Interest Receivable	0	37,337
Cash Shortage	3,479	0
Property Taxes Receivable	2,239,177	672,758
Allowance for Uncollectible Property Taxes	(49,610)	(14,905)
Capital Assets:		
Assets Not Depreciated:		
Land	677,888	330,020
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,196,627	9,451,243
Infrastructure	65,003	0
Other Capital Assets	1,888,265	1,207,240
Total Assets	<u>\$ 10,349,014</u>	<u>\$ 13,244,128</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 16,826	\$ 4,165
Payroll Deductions Payable	12	51,150
Accrued Interest Payable	8,563	281
Deferred Revenue - Current Property Taxes	2,028,023	609,317
Noncurrent Liabilities:		
Due Within One Year	519,380	19,166
Due In More Than One Year	12,914,243	27,500
Total Liabilities	<u>\$ 15,487,047</u>	<u>\$ 711,579</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,324,142	\$ 10,941,837
Restricted for:		
Capital Projects	99,347	0
Debt Service	1,163,296	0
Other Purposes	1,000,962	418,820
Unrestricted	<u>(8,725,780)</u>	<u>1,171,892</u>
Total Net Assets	<u>\$ (5,138,033)</u>	<u>\$ 12,532,549</u>

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

Exhibit B

Houston County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Houston County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 469,437	\$ 74,734	\$ 16,380	\$ 0	\$ (378,323)	\$ 0
Finance	282,934	176,001	14,674	0	(92,259)	0
Administration of Justice	264,364	99,250	9,000	0	(156,114)	0
Public Safety	1,054,053	134,357	62,977	32,100	(824,619)	0
Public Health and Welfare	819,333	433,745	37,001	36,617	(311,970)	0
Social, Cultural and Recreational Services	154,769	0	2,400	0	(152,369)	0
Agriculture & Natural Resources	42,006	0	0	0	(42,006)	0
Other Operations	204,250	29,976	56,657	48,000	(69,617)	0
Highway/Public Works	1,537,874	24,141	1,275,106	227,783	(10,844)	0
Interest on Long-term Debt	333,450	0	0	0	(333,450)	0
Other Debt Service	6,885	0	400,000	0	393,115	0
<b>Total Primary Government</b>	<b>\$ 5,169,355</b>	<b>\$ 972,204</b>	<b>\$ 1,874,195</b>	<b>\$ 344,500</b>	<b>\$ (1,978,456)</b>	<b>\$ 0</b>
Component Unit:						
Houston County School Department	\$ 9,243,765	\$ 347,245	\$ 981,179	\$ 0	0	\$ (7,915,341)
<b>Total Component Unit</b>	<b>\$ 9,243,765</b>	<b>\$ 347,245</b>	<b>\$ 981,179</b>	<b>\$ 0</b>	<b>0</b>	<b>\$ (7,915,341)</b>

(Continued)

Exhibit B

Houston County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
					Total	Houston County School Department
General Revenues:						
Taxes:						
Property taxes levied for general purposes					\$ 1,902,396	\$ 631,162
Property taxes levied for debt service					197,511	0
Local option sales tax					77,583	451,177
Other local taxes					387,052	22,219
Grants & Contributions not restricted for specific programs					132,647	6,660,583
Unrestricted Investment Earnings					0	88,124
Miscellaneous					24,176	23,113
Total General Revenues					<u>\$ 2,721,365</u>	<u>\$ 7,876,378</u>
Change in Net Assets					\$ 742,909	\$ (38,963)
Net Assets, July 1, 2004					<u>(5,880,942)</u>	<u>12,571,512</u>
Net Assets, June 30, 2005					<u>\$ (5,138,033)</u>	<u>\$ 12,532,549</u>

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

Exhibit C-1

Houston County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 11,590	\$ 11,590
Equity in Pooled Cash and Investments	826,179	480,886	1,145,497	321,515	2,774,077
Accounts Receivable	197,801	1,094	0	1,948	200,843
Due from Other Governments	70,166	220,081	9,394	40,782	340,423
Due from Other Funds	109	1,227	0	0	1,336
Due from Component Units	0	25	0	0	25
Property Taxes Receivable	1,797,370	10,041	210,860	220,906	2,239,177
Allowance for Uncollectible Property Taxes	(39,821)	(223)	(4,672)	(4,894)	(49,610)
Cash Shortage	879	0	0	2,600	3,479
<b>Total Assets</b>	<b>\$ 2,852,683</b>	<b>\$ 713,131</b>	<b>\$ 1,361,079</b>	<b>\$ 594,447</b>	<b>\$ 5,521,340</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 11,410	\$ 3,537	\$ 0	\$ 1,879	\$ 16,826
Payroll Deductions Payable	12	0	0	0	12
Due to Other Funds	0	0	0	109	109
Deferred Revenue - Current Property Taxes	1,627,875	9,094	190,979	200,075	2,028,023
Deferred Revenue - Delinquent Property Taxes	97,781	546	11,472	12,017	121,816
Other Deferred Revenues	216,141	109,166	9,394	39,712	374,413
<b>Total Liabilities</b>	<b>\$ 1,953,219</b>	<b>\$ 122,343</b>	<b>\$ 211,845</b>	<b>\$ 253,792</b>	<b>\$ 2,541,199</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 47,071	\$ 47,071
Reserved for Alcohol and Drug Treatment	11,777	0	0	0	11,777
Reserved for Sexual Offender Registration	660	0	0	0	660
Reserved for Computer System - Register	10,063	0	0	0	10,063
Reserved for Automation Purposes - Circuit Court	74	0	0	0	74
Reserved for Automation Purposes - General Sessions	1,230	0	0	0	1,230
Reserved for Automation Purposes - Juvenile Court	89	0	0	0	89
Reserved for Other General Purposes	0	0	5,222	0	5,222
Unreserved, Reported In:					
General Fund	875,571	0	0	0	875,571
Special Revenue Funds	0	590,788	0	241,308	832,096
Debt Service Fund	0	0	1,144,012	0	1,144,012
Capital Projects Funds	0	0	0	52,276	52,276
<b>Total Fund Balances</b>	<b>\$ 899,464</b>	<b>\$ 590,788</b>	<b>\$ 1,149,234</b>	<b>\$ 340,655</b>	<b>\$ 2,980,141</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,852,683</b>	<b>\$ 713,131</b>	<b>\$ 1,361,079</b>	<b>\$ 594,447</b>	<b>\$ 5,521,340</b>

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

Houston County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2005

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)	\$ 2,980,141
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,827,783
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(13,442,186)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>496,229</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ (5,138,033)</u></u>

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

Exhibit D-1

Houston County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,864,197	\$ 9,888	\$ 513,813	\$ 258,632	\$ 2,646,530
Fines, Forfeitures, and Penalties	34,112	600	0	0	34,712
Charges for Current Services	457,435	0	0	47,403	504,838
Other Local Revenues	53,867	27,722	0	10,467	92,056
Fees Received from County Officials	237,011	0	0	0	237,011
State of Tennessee	183,732	1,513,038	71,279	55,426	1,823,475
Federal Government	54,237	4,571	0	0	58,808
Other Governments and Citizens Groups	61,205	0	400,000	0	461,205
Total Revenues	<u>\$ 2,945,796</u>	<u>\$ 1,555,819</u>	<u>\$ 985,092</u>	<u>\$ 371,928</u>	<u>\$ 5,858,635</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 403,503	\$ 0	\$ 0	\$ 0	\$ 403,503
Finance	233,477	0	0	42,823	276,300
Administration of Justice	259,432	0	0	0	259,432
Public Safety	860,410	0	0	1,485	861,895
Public Health and Welfare	632,879	0	0	263,425	896,304
Social, Cultural, and Recreational Services	208,427	0	0	0	208,427
Agricultural and Natural Resources	38,276	0	0	0	38,276
Other Operations	263,732	0	0	11,084	274,816
Highways	0	1,657,327	0	0	1,657,327
Debt Service:					
Principal	22,272	0	467,098	0	489,370
Interest	3,437	0	332,245	0	335,682
Other Debt Service	0	0	6,885	0	6,885
Capital Projects	32,050	0	0	267,223	299,273
Total Expenditures	<u>\$ 2,957,895</u>	<u>\$ 1,657,327</u>	<u>\$ 806,228</u>	<u>\$ 586,040</u>	<u>\$ 6,007,490</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (12,099)</u>	<u>\$ (101,508)</u>	<u>\$ 178,864</u>	<u>\$ (214,112)</u>	<u>\$ (148,855)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 20,000	\$ 0	\$ 0	\$ 30,000	\$ 50,000
Total Other Financing Sources (Uses)	<u>\$ 20,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,000</u>	<u>\$ 50,000</u>
Net Change in Fund Balances	\$ 7,901	\$ (101,508)	\$ 178,864	\$ (184,112)	\$ (98,855)
Fund Balance, July 1, 2004	891,563	692,296	970,370	524,767	3,078,996
Fund Balance, June 30, 2005	<u>\$ 899,464</u>	<u>\$ 590,788</u>	<u>\$ 1,149,234</u>	<u>\$ 340,655</u>	<u>\$ 2,980,141</u>

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

Houston County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ (98,855)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	298,165
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	53,629
(3) The issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	469,370
(4) 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.	<u>20,600</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 742,909</u>

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

Exhibit E

Houston County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 238,985
Investments	539
Accounts Receivable	20
Due from Other Governments	<u>63,578</u>
Total Assets	<u><u>\$ 303,122</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 63,578
Due to Litigants, Heirs, and Others	<u>239,544</u>
Total Liabilities	<u><u>\$ 303,122</u></u>

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

**HOUSTON COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Houston County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Houston County:

**A. Reporting Entity**

Houston County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Houston County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**Blended Component Units** – There are no legally separate component units of Houston County that meet the criteria for being reported as part of the primary government by the blending method.

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Houston County School Department operates the public school system in the county, and the voters of Houston County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Houston County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Houston County, and the Houston County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Houston County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Houston County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Houston County Emergency Communications District  
P. O. Box 146  
Tennessee Ridge, TN 37178

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Houston County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Houston County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Houston County issues all debt for the discretely presented Houston County School Department. Net debt issues (\$30,000) were contributed by the county to the School Department during the year ended June 30, 2005.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide

financial statements. 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 fiduciary 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Houston County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Houston County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category. Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

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 become 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. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Houston County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Houston County reports the following major governmental funds:

**General Fund** – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Highway/Public Works Fund** – This fund accounts for transactions of the county Highway Department.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Houston County reports the following fund types:

**Capital Projects Funds** – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Houston County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Houston County School Department reports the following major governmental fund:

**General Purpose School Fund** – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

Additionally, the Houston County School Department reports the following fund type:

**Special Revenue Funds** – These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Houston County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the discretely presented School Department's General Purpose School Fund. In addition, investments are held separately by the county's Constitutional Officers - Agency Fund. Houston County and the Houston County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net

assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections at the end of the fiscal year is referred to as due to/from other funds.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.2 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the primary government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Capital assets are defined by the discretely presented Houston County School Department as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of a year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented Houston County School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	
	<u>Primary Government</u>	<u>Houston County School Department</u>
Buildings and Improvements	40 or life of note	10-40
Other Capital Assets	5 -12	5-20
Infrastructure:		
Roads	8 - 20	
Bridges	30	

**4. Compensated Absences**

The policy of Houston County, except for the Highway Department, does not permit its employees to accumulate sick or vacation days

beyond the fiscal year and therefore is not required to be accrued or recorded.

It is the policy of the Highway Department to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the department does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

The general policy of the discretely presented Houston County School Department permits the unlimited accumulation of unused sick leave for professional personnel (teachers). Nonprofessional personnel are allowed to accumulate a limited amount of sick leave. No provisions exist for accruing annual leave. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

## **5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and landfill postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

**6. Net Assets and Fund Equity**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2005, Houston County had \$9,340,000 outstanding debt for capital purposes for the discretely presented Houston County School Department. The debt is a liability of Houston County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Houston County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**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**

Primary Government

Exhibit C-2 presents a 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 debt payable, are

not due and payable in the current period and therefore are not reported in the funds. The details of the \$13,442,186 difference are as follows:

Bonds payable	\$ (315,967)
Accrued interest payable	(8,563)
Other loans payable	(12,042,200)
Landfill postclosure care costs	(585,100)
Notes payable	(437,604)
Capital leases payable	(47,870)
Compensated absences	<u>(4,882)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (13,442,186)</u>

Discretely Presented Houston County School Department

The discretely presented Houston County School Department's Exhibit J-3 presents a 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 debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$46,947 difference are as follows:

Accrued interest payable	\$ (281)
Notes payable	<u>(46,666)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (46,947)</u>

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

Primary Government

Exhibit D-2 presents a 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 governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported

as depreciation expense. The details of this \$298,165 difference are as follows:

Capital outlay	\$ 679,237
Depreciation expense	<u>(381,072)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	   <u>\$ 298,165</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$469,370 difference are as follows:

Debt issued or incurred:	
Issuance of capital outlay notes	\$ (20,000)
Principal repayments:	
Capital leases	22,272
Bonds	20,408
Notes	112,690
Other loans	<u>334,000</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	   <u>\$ 469,370</u>

Another element of that reconciliation states that 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. The details of this \$20,600 difference are as follows:

Net change in compensated absences	\$ (842)
Net change in landfill postclosure care costs	19,210
Net change in accrued interest on bonds	148
Net change in accrued interest on notes	1,266
Net change in accrued interest on capital leases	<u>818</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	   <u>\$ 20,600</u>

Discretely Presented Houston County School Department

The discretely presented Houston County School Department's Exhibit J-5 presents a 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 governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$319,365 difference are as follows:

Capital outlay	\$ 137,855
Depreciation expense	<u>(457,220)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (319,365)</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$13,333 difference are as follows:

Debt issued or incurred:	
Note proceeds contributed by primary government	\$ (30,000)
Principal repayments:	
Notes	<u>16,667</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (13,333)</u>

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Cash Shortage**

The General Fund had a cash shortage of \$879.50, and the Solid Waste/Sanitation Fund had a cash shortage of \$2,600 on June 30, 2005. These amounts represent the unpaid balances of cash shortages totaling \$10,290.36 that occurred during the period July 1, 2001, through August 31, 2002, under the administration of Jim Smith, the former county executive. Details of these cash shortages were reflected in the Schedule of Findings and Questioned Costs of the Annual Financial Report for the 2001-02 fiscal year. Mr. Smith and another individual deposited \$2,210 on

August 7, 2002, reducing the total cash shortage to \$8,080.36 at that date. On March 3, 2003, Mr. Smith and two former county employees were indicted by the Houston County Grand Jury on charges of theft and official misconduct. Each defendant entered into a memorandum of understanding with the District Attorney General's Office on September 11, 2003. The memoranda suspended their cases providing several conditions were met, including partial restitution of the shortages. During the 2003-04 fiscal year, the employees repaid their portions of the shortages totaling \$4,600.86. Mr. Smith was not ordered by the court to repay a portion of his cash shortage totaling \$507.90. The other unpaid cash shortages of \$2,971.60 involve individuals who were not indicted by the Grand Jury. As of the date of this report, these amounts remain unpaid.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

Houston County and the Houston County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and Investments reflected on the balance sheets or statements of net assets represent nonpooled amounts held separately by individual funds.

##### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

##### Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments

in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2005, Houston County had the following investment carried at fair value. This investment was made on behalf of litigants at the direction of a court order, is held in the Circuit Court Clerk’s Office, and is reported in the Constitutional Officers – Agency Fund.

NONPOOLED INVESTMENTS

Investment	Maturity	Fair Value
AIM Aggressive Growth Fund	On Demand	\$ 539

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Houston County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Houston County has no investment policy that would further limit its investment choices. However, since this investment was made on behalf of a litigant at the direction of the court, this investment does not expose the county to any credit risk.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government

**Governmental Activities:**

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 677,888	\$ 0	\$ 0	\$ 677,888
Total Capital Assets				
Not Depreciated	\$ 677,888	\$ 0	\$ 0	\$ 677,888

**Governmental Activities: (Cont.)**

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,579,953	\$ 240,674	\$ 0	\$ 2,820,627
Infrastructure	11,500	55,277	0	66,777
Other Capital Assets	3,321,015	383,286	(23,535)	3,680,766
<b>Total Capital Assets Depreciated</b>	<b>\$ 5,912,468</b>	<b>\$ 679,237</b>	<b>\$ (23,535)</b>	<b>\$ 6,568,170</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 565,256	\$ 58,744	\$ 0	\$ 624,000
Infrastructure	431	1,343	0	1,774
Other Capital Assets	1,495,051	320,985	(23,535)	1,792,501
<b>Total Accumulated Depreciation</b>	<b>\$ 2,060,738</b>	<b>\$ 381,072</b>	<b>\$ (23,535)</b>	<b>\$ 2,418,275</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 3,851,730</b>	<b>\$ 298,165</b>	<b>\$ 0</b>	<b>\$ 4,149,895</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 4,529,618</b>	<b>\$ 298,165</b>	<b>\$ 0</b>	<b>\$ 4,827,783</b>

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Government	\$ 18,825
Finance	6,016
Administration of Justice	4,870
Public Safety	167,899
Public Health and Welfare	49,608
Social, Cultural, and Recreational Services	9,334
Agriculture and Natural Resources	3,725
Highways/Public Works	<u>120,795</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 381,072</u></b>

Discretely Presented Houston County School Department

**Governmental Activities:**

	Balance 7-1-04	Increases	Balance 6-30-05
<b>Capital Assets Not Depreciated:</b>			
Land	\$ 330,020	\$ 0	\$ 330,020
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 330,020</b>	<b>\$ 0</b>	<b>\$ 330,020</b>
<b>Capital Assets Depreciated:</b>			
Buildings and Improvements	\$ 13,648,945	\$ 22,450	\$ 13,671,395
Other Capital Assets	1,896,786	115,405	2,012,191
<b>Total Capital Assets Depreciated</b>	<b>\$ 15,545,731</b>	<b>\$ 137,855</b>	<b>\$ 15,683,586</b>
<b>Less Accumulated Depreciation For:</b>			
Buildings and Improvements	\$ 3,911,210	\$ 308,942	\$ 4,220,152
Other Capital Assets	656,673	148,278	804,951
<b>Total Accumulated Depreciation</b>	<b>\$ 4,567,883</b>	<b>\$ 457,220</b>	<b>\$ 5,025,103</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 10,977,848</b>	<b>\$ (319,365)</b>	<b>\$ 10,658,483</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 11,307,868</b>	<b>\$ (319,365)</b>	<b>\$ 10,988,503</b>

Depreciation expense was charged to functions of the discretely presented Houston County School Department as follows:

**Governmental Activities:**

Instruction	\$ 218,401
Support Services	211,720
Operation of Non-Instructional Services	<u>27,099</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 457,220</u></b>

**C. Construction Commitments**

At June 30, 2005, the General Capital Projects Fund had an uncompleted construction contract of \$47,071 for the renovation of the Health Department. Funding has been received for these future expenditures.

**D. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 109
Highway/Public Works	General	110
Highway/Public Works	Nonmajor governmental	1,117

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

The receivable in the Highway/Public Works Fund (\$1,227) was in-transit from the General and Solid Waste/Sanitation Funds at June 30, 2005.

**E. Capital Leases**

On September 23, 2003, Houston County entered into a three-year lease-purchase agreement for patrol cars. The terms of the agreement require total lease payments of \$95,851 plus interest of 4.9 percent. Title to the patrol cars transfers to Houston County at the end of the lease period. The General Fund is making the lease payments.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 25,709
2007	25,708
Total Minimum Lease Payments	\$ 51,417
Amounts Representing Interest	(3,547)
Present Value of Minimum Lease Payments	<u>\$ 47,870</u>

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 39 years for bonds, up to 12 years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	4 to 5 %	\$ 606,500	\$ 315,967
Capital Outlay Notes	0 to 5.95	898,438	437,604
Other Loans	variable	13,016,200	12,042,200
Capital Lease	4.9	95,851	47,870

In prior years, Houston County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority has loaned \$12,800,000 to Houston County and has made another \$1,200,000 available for loan to Houston County on an as-needed basis for various renovation and construction projects. As of June 30, 2005, Houston County has drawn \$216,200 of the available \$1,200,000 loan. The loans are repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent weekly. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2005, the variable interest rate was 2.39 percent for all loans. Other fees for the \$1,800,000 and \$10,000,000 loans amounted to approximately .3 percent (letter of credit fee), .08 percent (remarketing fee), and .15 percent (trustee fee) of the outstanding loan principal. Other fees for the \$1,000,000 and \$216,200 loans amounted to approximately .25 percent (letter of credit fee), .08 percent (remarketing fee), and .15 percent (trustee fee) of the outstanding loan principal.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 22,705	\$ 14,963	\$ 101,068	\$ 14,986
2007	23,015	13,853	73,719	11,448
2008	23,339	12,729	62,567	9,253
2009	23,679	11,590	50,502	7,158
2010	24,034	10,434	41,274	5,425
2011-2015	126,098	34,243	94,284	10,826
2016-2018	73,097	5,108	14,190	497
Total	\$ 315,967	\$ 102,920	\$ 437,604	\$ 59,593

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2006	\$ 352,000	\$ 287,809	\$ 63,279	\$ 703,088
2007	368,000	279,396	61,441	708,837
2008	387,000	270,601	59,520	717,121
2009	406,000	261,351	57,499	724,850
2010	424,200	251,648	55,380	731,228
2011-2015	2,265,000	1,104,516	243,145	3,612,661
2016-2020	2,892,000	805,406	177,321	3,874,727
2021-2025	3,559,000	423,436	93,263	4,075,699
2026-2027	1,389,000	49,353	10,910	1,449,263
Total	\$ 12,042,200	\$ 3,733,516	\$ 821,758	\$ 16,597,474

There is \$1,149,234 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$39, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases amounted to \$1,588, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:	Bonds		Notes		Capital Leases	
Balance, July 1, 2004	\$ 336,375	\$ 530,294	\$ 70,142			
Additions	0	20,000	0			
Deductions	(20,408)	(112,690)	(22,272)			
Balance, June 30, 2005	\$ 315,967	\$ 437,604	\$ 47,870			
Balance Due Within One Year	\$ 22,705	\$ 101,068	\$ 23,363			

Governmental Activities: (Cont.)

	Other Loans	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2004	\$ 12,376,200	\$ 4,040	\$ 604,310
Additions	0	10,197	0
Deductions	(334,000)	(9,355)	(19,210)
Balance, June 30, 2005	<u>\$ 12,042,200</u>	<u>\$ 4,882</u>	<u>\$ 585,100</u>
Balance Due Within One Year	<u>\$ 352,000</u>	<u>\$ 244</u>	<u>\$ 20,000</u>

Compensated absences payable will be paid from the employing fund, the Highway/Public Works Fund.

Discretely Presented Houston County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Houston County School Department for the year ended June 30, 2005, was as follows:

Governmental Activities:

	<u>Notes</u>
Balance, July 1, 2004	\$ 33,333
Additions	30,000
Deductions	<u>(16,667)</u>
Balance, June 30, 2005	<u>\$ 46,666</u>
Balance Due Within One Year	<u>\$ 19,166</u>

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

**Employee Health Insurance**

With the exception of the Highway Department, Houston County does not offer employee health insurance coverage. Employees of the Highway Department are provided health insurance coverage through the purchase of

commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

#### Workers' Compensation Insurance

Houston County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, Tennessee Code Annotated, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

#### Liability, Property, and Casualty

The county is exposed to various risks related to general liability, property, and casualty losses. Houston County participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

### **Discretely Presented Houston County School Department**

#### Employee Health Insurance

The professional personnel (teachers) of the discretely presented School Department are provided health insurance coverage through the purchase of commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

#### Workers' Compensation and Liability, Property, and Casualty

The discretely presented School Department participates in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school systems. The School Department pays an annual premium to the TSB-RMT for its workers' compensation and general liability, property, and casualty insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$200,000 for each insured event.

**B. Accounting Change**

During the year, Houston County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Subsequent Event**

On August 17, 2005, Houston County issued \$221,000 in capital outlay notes for the purchase of a communication tower and equipment for the Houston County Emergency Communications District.

**D. Contingent Liabilities**

Houston County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans with Disabilities Act (ADA). The lawsuit would apply to all Houston County facilities. The county is in the process of making renovations to the courthouse which management believes will bring it up to the ADA requirements. However, it is still unclear if other facilities will meet all the ADA requirements. Therefore, a reasonable estimate or range of potential loss to the county resulting from this lawsuit cannot be made.

The county is involved in several other pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**E. Landfill Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Houston County closed its landfill prior to June 30, 1994, and has contracted its waste management to a private vendor. The Solid Waste/Sanitation Fund (special revenue fund) reports the postclosure care costs of the closed landfill as expenditures in each period in which they are incurred. The \$585,100 reported as postclosure care liability at June 30, 2005, represents the net amount reported to date based on the use of 100 percent of the estimated capacity of the landfill. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Jointly Governed Organization**

Houston County and Stewart County jointly own an industrial park operated by the Houston-Stewart County Industrial Park Board. The board includes seven members. The Houston and Stewart County Commissions appoint the board members alternately (four in one year and three in the next year); however, the counties do not have an on-going financial interest or responsibility for the entity. Also, the board operates in conjunction with the Houston-Stewart County Development Commission, which consists of seven board members appointed by Stewart County and Houston County. The commission was incorporated to receive and administer grant and loan funds for construction of buildings in the industrial park. The commission was declared inactive by its board of directors October 25, 1990, and will remain inactive until a need develops.

**G. Retirement Commitments**

With the exception of the School Department discussed below, Houston County elected not to participate in the Tennessee Consolidated Retirement System for the year ended June 30, 2005.

**SCHOOL TEACHERS**

**Plan Description**

The Houston County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$248,490, \$144,517, and \$135,277, respectively, equal to the required contributions for each year.

## **H. Purchasing Laws**

### Office of County Mayor

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, governs purchasing procedures for the general county government. These statutes provide for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

### Office of Road Superintendent

Chapter 366, Private Acts of 1945, as amended, and Section 54-7-113, Tennessee Code Annotated (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes provide for a Highway Commission including the county mayor (who serves as chairman), the road superintendent, and three members of the Board of County Commissioners. The Highway Commission is required to authorize all purchases exceeding \$500 and to solicit competitive bids on all purchases exceeding \$10,000.

### Office of Director of Schools

Purchasing procedures for the discretely presented Houston County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,864,197	\$ 0	\$ 1,864,197	\$ 1,703,050	\$ 1,706,050	\$ 158,147
Fines, Forfeitures, and Penalties	34,112	0	34,112	33,400	33,400	712
Charges for Current Services	457,435	0	457,435	492,550	497,550	(40,115)
Other Local Revenues	53,867	0	53,867	34,300	34,300	19,567
Fees Received from County Officials	237,011	0	237,011	230,500	227,500	9,511
State of Tennessee	183,732	0	183,732	179,337	256,137	(72,405)
Federal Government	54,237	0	54,237	130,400	75,072	(20,835)
Other Governments and Citizens Groups	61,205	0	61,205	54,000	54,540	6,665
Total Revenues	\$ 2,945,796	\$ 0	\$ 2,945,796	\$ 2,857,537	\$ 2,884,549	\$ 61,247
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 16,870	\$ 0	\$ 16,870	\$ 36,190	\$ 32,332	\$ 15,462
Board of Equalization	804	0	804	1,724	1,724	920
Budget and Finance Committee	4,145	0	4,145	4,210	4,210	65
County Mayor	118,229	0	118,229	123,076	123,076	4,847
County Attorney	16,170	0	16,170	16,195	16,195	25
Election Commission	95,447	0	95,447	100,279	100,279	4,832
Register of Deeds	73,411	0	73,411	81,325	81,325	7,914
Building	11,655	0	11,655	6,500	12,570	915
County Buildings	59,965	0	59,965	62,332	63,332	3,367
Other General Administration	6,807	0	6,807	22,000	22,000	15,193
<u>Finance</u>						
Central Services	8,462	0	8,462	8,491	8,491	29
Property Assessor's Office	69,373	0	69,373	70,138	70,137	764
Reappraisal Program	6,794	0	6,794	9,076	8,976	2,182
County Trustee's Office	82,632	0	82,632	90,253	90,253	7,621

(Continued)

Exhibit F-1

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
County Clerk's Office	\$ 66,216	\$ 0	\$ 66,216	\$ 78,710	\$ 78,710	\$ 12,494
<u>Administration of Justice</u>						
Circuit Court	95,382	0	95,382	103,921	104,371	8,989
General Sessions Judge	41,509	0	41,509	41,738	41,738	229
Chancery Court	68,888	0	68,888	69,832	69,832	944
Juvenile Court	38,986	0	38,986	42,214	42,214	3,228
District Attorney General	2,585	0	2,585	2,585	2,585	0
Judicial Commissioners	12,082	0	12,082	12,345	12,345	263
<u>Public Safety</u>						
Sheriff's Department	316,682	0	316,682	399,122	376,911	60,229
Drug Enforcement	2,825	0	2,825	1,500	2,825	0
Jail	350,758	0	350,758	369,342	365,842	15,084
Fire Prevention and Control	16,438	0	16,438	13,500	16,439	1
Civil Defense	29,515	0	29,515	35,130	41,285	11,770
Other Emergency Management	132,186	0	132,186	133,305	133,634	1,448
County Coroner/Medical Examiner	12,006	0	12,006	8,060	12,060	54
<u>Public Health and Welfare</u>						
Local Health Center	14,292	0	14,292	29,657	29,657	15,365
Ambulance/Emergency Medical Services	586,947	(69,795)	517,152	628,757	630,340	113,188
Other Local Health Services	2,244	0	2,244	2,300	10,900	8,656
Sanitation Education/Information	29,396	0	29,396	31,737	31,737	2,341
<u>Social, Cultural, and Recreational Services</u>						
Adult Activities	51,190	0	51,190	44,690	51,190	0
Libraries	101,337	0	101,337	107,567	103,477	2,140
Other Social, Cultural, and Recreational	55,900	0	55,900	45,900	55,900	0

(Continued)

Exhibit F-1

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	\$ 28,047	\$ 0	\$ 28,047	\$ 30,020	\$ 30,020	\$ 1,973
Soil Conservation	10,229	0	10,229	10,806	10,806	577
<u>Other Operations</u>						
Tourism	82,745	0	82,745	72,300	87,738	4,993
Other Economic and Community Development	52,416	0	52,416	50,000	52,510	94
Airport	7,039	0	7,039	21,100	21,100	14,061
Veterans' Services	1,668	0	1,668	1,678	1,678	10
Employee Benefits	15,974	0	15,974	35,000	34,920	18,946
Payments to Cities	6,422	0	6,422	9,500	9,500	3,078
Miscellaneous	97,468	0	97,468	104,000	106,400	8,932
<u>Principal</u>						
General Government	22,272	0	22,272	400,000	422,272	400,000
<u>Interest</u>						
General Government	3,437	0	3,437	12,500	6,439	3,002
<u>Capital Projects</u>						
General Administration Projects	259	0	259	2,000	2,000	1,741
Public Utility Projects	9,000	0	9,000	4,500	9,000	0
Other General Government Projects	22,791	0	22,791	25,000	251,000	228,209
Total Expenditures	\$ 2,957,895	\$ (69,795)	\$ 2,888,100	\$ 3,612,105	\$ 3,894,275	\$ 1,006,175
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (12,099)	\$ 69,795	\$ 57,696	\$ (754,568)	\$ (1,009,726)	\$ 1,067,422
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 20,000	\$ 0	\$ 20,000	\$ 400,000	\$ 621,000	\$ (601,000)
Total Other Financing Sources (Uses)	\$ 20,000	\$ 0	\$ 20,000	\$ 400,000	\$ 621,000	\$ (601,000)

(Continued)

Exhibit F-1

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 7,901	\$ 69,795	\$ 77,696	\$ (354,568)	\$ (388,726)	\$ 466,422
Fund Balance, July 1, 2004	891,563	(69,795)	821,768	805,263	805,263	16,505
Fund Balance, June 30, 2005	\$ 899,464	\$ 0	\$ 899,464	\$ 450,695	\$ 416,537	\$ 482,927

Exhibit F-2

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 9,888	\$ 0	\$ 9,888	\$ 23,050	\$ 23,050	\$ (13,162)
Fines, Forfeitures, and Penalties	600	0	600	200	200	400
Other Local Revenues	27,722	0	27,722	26,000	26,000	1,722
State of Tennessee	1,513,038	0	1,513,038	1,516,439	1,516,439	(3,401)
Federal Government	4,571	0	4,571	0	0	4,571
Total Revenues	<u>\$ 1,555,819</u>	<u>\$ 0</u>	<u>\$ 1,555,819</u>	<u>\$ 1,565,689</u>	<u>\$ 1,565,689</u>	<u>\$ (9,870)</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 103,413	\$ 0	\$ 103,413	\$ 110,735	\$ 110,735	\$ 7,322
Highway and Bridge Maintenance	669,650	0	669,650	850,550	898,550	228,900
Operation and Maintenance of Equipment	214,351	0	214,351	232,100	257,100	42,749
Other Charges	42,574	0	42,574	53,300	53,700	11,126
Employee Benefits	131,775	0	131,775	197,700	197,700	65,925
Capital Outlay	495,564	(77,835)	417,729	639,000	639,000	221,271
Total Expenditures	<u>\$ 1,657,327</u>	<u>\$ (77,835)</u>	<u>\$ 1,579,492</u>	<u>\$ 2,083,385</u>	<u>\$ 2,156,785</u>	<u>\$ 577,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (101,508)</u>	<u>\$ 77,835</u>	<u>\$ (23,673)</u>	<u>\$ (517,696)</u>	<u>\$ (591,096)</u>	<u>\$ 567,423</u>
Net Change in Fund Balance	\$ (101,508)	\$ 77,835	\$ (23,673)	\$ (517,696)	\$ (591,096)	\$ 567,423
Fund Balance, July 1, 2004	692,296	(77,835)	614,461	634,186	634,186	(19,725)
Fund Balance, June 30, 2005	<u>\$ 590,788</u>	<u>\$ 0</u>	<u>\$ 590,788</u>	<u>\$ 116,490</u>	<u>\$ 43,090</u>	<u>\$ 547,698</u>

**HOUSTON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Budget and Finance Committee, County Mayor, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

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**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for Houston County’s garbage collection and convenience center operations.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

## Capital Projects Funds

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Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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General Capital Projects Fund – The General Capital Projects Fund is used to account for financial resources to be used for the renovation of the courthouse and construction and renovation of the county Health Department.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by Houston County that is subsequently contributed to the Houston County School Department.

Exhibit G-1

Houston County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 11,590	\$ 11,590	\$ 0	\$ 11,590
Equity in Pooled Cash and Investments	217,568	2,721	0	220,289	101,226	321,515
Accounts Receivable	1,843	0	105	1,948	0	1,948
Due from Other Governments	40,782	0	0	40,782	0	40,782
Property Taxes Receivable	220,906	0	0	220,906	0	220,906
Allowance for Uncollectible Property Taxes	(4,894)	0	0	(4,894)	0	(4,894)
Cash Shortage	2,600	0	0	2,600	0	2,600
<b>Total Assets</b>	<b>\$ 478,805</b>	<b>\$ 2,721</b>	<b>\$ 11,695</b>	<b>\$ 493,221</b>	<b>\$ 101,226</b>	<b>\$ 594,447</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,879	\$ 1,879
Due to Other Funds	0	0	109	109	0	109
Deferred Revenue - Current Property Taxes	200,075	0	0	200,075	0	200,075
Deferred Revenue - Delinquent Property Taxes	12,017	0	0	12,017	0	12,017
Other Deferred Revenues	39,712	0	0	39,712	0	39,712
<b>Total Liabilities</b>	<b>\$ 251,804</b>	<b>\$ 0</b>	<b>\$ 109</b>	<b>\$ 251,913</b>	<b>\$ 1,879</b>	<b>\$ 253,792</b>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,071	\$ 47,071
Unreserved	227,001	2,721	11,586	241,308	52,276	293,584
<b>Total Fund Balances</b>	<b>\$ 227,001</b>	<b>\$ 2,721</b>	<b>\$ 11,586</b>	<b>\$ 241,308</b>	<b>\$ 99,347</b>	<b>\$ 340,655</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 478,805</b>	<b>\$ 2,721</b>	<b>\$ 11,695</b>	<b>\$ 493,221</b>	<b>\$ 101,226</b>	<b>\$ 594,447</b>

Exhibit G-2

Houston County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Education Capital Projects	Total	
<u>Revenues</u>								
Local Taxes	\$ 258,632	\$ 0	\$ 0	\$ 258,632	\$ 0	\$ 0	\$ 0	258,632
Charges for Current Services	0	0	47,403	47,403	0	0	0	47,403
Other Local Revenues	8,389	0	0	8,389	2,078	0	2,078	10,467
State of Tennessee	55,426	0	0	55,426	0	0	0	55,426
Total Revenues	<u>\$ 322,447</u>	<u>\$ 0</u>	<u>\$ 47,403</u>	<u>\$ 369,850</u>	<u>\$ 2,078</u>	<u>\$ 0</u>	<u>\$ 2,078</u>	<u>\$ 371,928</u>
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 42,823	\$ 42,823	\$ 0	\$ 0	\$ 0	42,823
Public Safety	0	1,485	0	1,485	0	0	0	1,485
Public Health and Welfare	263,425	0	0	263,425	0	0	0	263,425
Other Operations	11,084	0	0	11,084	0	0	0	11,084
Capital Projects	0	0	0	0	237,223	30,000	267,223	267,223
Total Expenditures	<u>\$ 274,509</u>	<u>\$ 1,485</u>	<u>\$ 42,823</u>	<u>\$ 318,817</u>	<u>\$ 237,223</u>	<u>\$ 30,000</u>	<u>\$ 267,223</u>	<u>\$ 586,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,938</u>	<u>\$ (1,485)</u>	<u>\$ 4,580</u>	<u>\$ 51,033</u>	<u>\$ (235,145)</u>	<u>\$ (30,000)</u>	<u>\$ (265,145)</u>	<u>\$ (214,112)</u>
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,000	\$ 30,000	30,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>
Net Change in Fund Balances	\$ 47,938	\$ (1,485)	\$ 4,580	\$ 51,033	\$ (235,145)	\$ 0	\$ (235,145)	(184,112)
Fund Balance, July 1, 2004	179,063	4,206	7,006	190,275	334,492	0	334,492	524,767
Fund Balance, June 30, 2005	<u>\$ 227,001</u>	<u>\$ 2,721</u>	<u>\$ 11,586</u>	<u>\$ 241,308</u>	<u>\$ 99,347</u>	<u>\$ 0</u>	<u>\$ 99,347</u>	<u>\$ 340,655</u>

Exhibit G-3

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 258,632	\$ 214,650	\$ 214,650	\$ 43,982
Charges for Current Services	0	500	0	0
Other Local Revenues	8,389	0	500	7,889
State of Tennessee	55,426	83,720	83,720	(28,294)
Total Revenues	<u>\$ 322,447</u>	<u>\$ 298,870</u>	<u>\$ 298,870</u>	<u>\$ 23,577</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 195,919	\$ 232,552	\$ 239,552	\$ 43,633
Recycling Center	63,668	34,539	66,739	3,071
Landfill Operation and Maintenance	3,838	10,826	10,826	6,988
<u>Other Operations</u>				
Other Charges	5,084	5,000	5,000	(84)
Employee Benefits	6,000	13,000	10,000	4,000
<u>Principal</u>				
General Government	0	150,000	150,000	150,000
<u>Interest</u>				
General Government	0	4,700	700	700
Total Expenditures	<u>\$ 274,509</u>	<u>\$ 450,617</u>	<u>\$ 482,817</u>	<u>\$ 208,308</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,938</u>	<u>\$ (151,747)</u>	<u>\$ (183,947)</u>	<u>\$ 231,885</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 150,000	\$ 150,000	\$ (150,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ (150,000)</u>
Net Change in Fund Balance	\$ 47,938	\$ (1,747)	\$ (33,947)	\$ 81,885
Fund Balance, July 1, 2004	179,063	171,202	171,202	7,861
Fund Balance, June 30, 2005	<u>\$ 227,001</u>	<u>\$ 169,455</u>	<u>\$ 137,255</u>	<u>\$ 89,746</u>

Exhibit G-4

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 0	\$ 600	\$ 600	\$ (600)
Total Revenues	\$ 0	\$ 600	\$ 600	\$ (600)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 1,485	\$ 600	\$ 1,542	\$ 57
Total Expenditures	\$ 1,485	\$ 600	\$ 1,542	\$ 57
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,485)	\$ 0	\$ (942)	\$ (543)
Net Change in Fund Balance	\$ (1,485)	\$ 0	\$ (942)	\$ (543)
Fund Balance, July 1, 2004	4,206	4,206	4,206	0
Fund Balance, June 30, 2005	\$ 2,721	\$ 4,206	\$ 3,264	\$ (543)

# Major Governmental Fund

## General Debt Service Fund

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The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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Exhibit H

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 513,813	\$ 466,100	\$ 466,100	\$ 47,713
State of Tennessee	71,279	60,000	60,000	11,279
Other Governments and Citizens Groups	400,000	400,000	400,000	0
Total Revenues	<u>\$ 985,092</u>	<u>\$ 926,100</u>	<u>\$ 926,100</u>	<u>\$ 58,992</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 236,098	\$ 234,767	\$ 244,135	\$ 8,037
Education	231,000	286,000	286,000	55,000
<u>Interest</u>				
General Government	105,225	135,136	139,336	34,111
Education	227,020	0	334,000	106,980
<u>Other Debt Service</u>				
General Government	6,885	7,000	7,000	115
Education	0	334,000	0	0
Total Expenditures	<u>\$ 806,228</u>	<u>\$ 996,903</u>	<u>\$ 1,010,471</u>	<u>\$ 204,243</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 178,864</u>	<u>\$ (70,803)</u>	<u>\$ (84,371)</u>	<u>\$ 263,235</u>
Net Change in Fund Balance	\$ 178,864	\$ (70,803)	\$ (84,371)	\$ 263,235
Fund Balance, July 1, 2004	<u>970,370</u>	<u>960,480</u>	<u>960,480</u>	<u>9,890</u>
Fund Balance, June 30, 2005	<u>\$ 1,149,234</u>	<u>\$ 889,677</u>	<u>\$ 876,109</u>	<u>\$ 273,125</u>

# Fiduciary Funds

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

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Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and are forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit I-1

Houston County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 238,985	\$ 238,985
Investments	0	539	539
Accounts Receivable	0	20	20
Due from Other Governments	63,578	0	63,578
Total Assets	<u>\$ 63,578</u>	<u>\$ 239,544</u>	<u>\$ 303,122</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 63,578	\$ 0	\$ 63,578
Due to Litigants, Heirs, and Others	0	239,544	239,544
Total Liabilities	<u>\$ 63,578</u>	<u>\$ 239,544</u>	<u>\$ 303,122</u>

Exhibit I-2

Houston County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 372,398	\$ 372,398	\$ 0
Due from Other Governments	62,181	63,578	62,181	63,578
Total Assets	\$ 62,181	\$ 435,976	\$ 434,579	\$ 63,578
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 62,181	\$ 435,976	\$ 434,579	\$ 63,578
Total Liabilities	\$ 62,181	\$ 435,976	\$ 434,579	\$ 63,578
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 129,755	\$ 1,671,450	\$ 1,562,220	\$ 238,985
Investments	512	27	0	539
Accounts Receivable	214	20	214	20
Total Assets	\$ 130,481	\$ 1,671,497	\$ 1,562,434	\$ 239,544
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 130,481	\$ 1,671,497	\$ 1,562,434	\$ 239,544
Total Liabilities	\$ 130,481	\$ 1,671,497	\$ 1,562,434	\$ 239,544
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 372,398	\$ 372,398	\$ 0
Cash	129,755	1,671,450	1,562,220	238,985
Investments	512	27	0	539
Accounts Receivable	214	20	214	20
Due from Other Governments	62,181	63,578	62,181	63,578
Total Assets	\$ 192,662	\$ 2,107,473	\$ 1,997,013	\$ 303,122
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 130,481	\$ 1,671,497	\$ 1,562,434	\$ 239,544
Due to Other Taxing Units	62,181	435,976	434,579	63,578
Total Liabilities	\$ 192,662	\$ 2,107,473	\$ 1,997,013	\$ 303,122

# Houston County School Department

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This section presents combining and individual fund financial statements for the Houston County School Department, a discretely presented component unit. The Houston County School Department uses a General Fund and two Special Revenue Funds.

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General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Exhibit J-1

Houston County, Tennessee  
Statement of Activities  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	\$ 5,211,341	\$ 9,318	\$ 576,278	\$ (4,625,745)
Support Services	2,884,873	16,640	33,433	(2,834,800)
Operation of Non-Instructional Services	746,394	321,287	371,468	(53,639)
Interest on Long-term Debt	1,157	0	0	(1,157)
Other Debt Service	400,000	0	0	(400,000)
Total Governmental Activities	\$ 9,243,765	\$ 347,245	\$ 981,179	\$ (7,915,341)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 631,162
Local option sales tax				451,177
Other local taxes				22,219
Grants & Contributions not restricted for specific programs				6,660,583
Unrestricted Investment Earnings				88,124
Miscellaneous				23,113
Total General Revenues				\$ 7,876,378
Change in Net Assets				\$ (38,963)
Net Assets, July 1, 2004				12,571,512
Net Assets, June 30, 2005				\$ 12,532,549

Exhibit J-2

Houston County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Houston County School Department  
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,109,768	\$ 349,344	\$ 1,459,112
Due from Other Governments	99,198	2,125	101,323
Property Taxes Receivable	672,758	0	672,758
Allowance for Uncollectible Property Taxes	(14,905)	0	(14,905)
Accrued Interest Receivable	35,470	1,867	37,337
Total Assets	<u>\$ 1,902,289</u>	<u>\$ 353,336</u>	<u>\$ 2,255,625</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 4,165	\$ 0	\$ 4,165
Payroll Deductions Payable	48,868	2,282	51,150
Deferred Revenue - Current Property Taxes	609,317	0	609,317
Deferred Revenue - Delinquent Property Taxes	36,599	0	36,599
Other Deferred Revenues	82,814	1,867	84,681
Total Liabilities	<u>\$ 781,763</u>	<u>\$ 4,149</u>	<u>\$ 785,912</u>
<u>Fund Balances</u>			
Reserved for Capital Outlay	\$ 3,278	\$ 0	\$ 3,278
Reserved for Career Ladder - Extended Contract	52,025	0	52,025
Reserved for Career Ladder Program	12,463	0	12,463
Reserved for Title I Grants to Local Education Agencies	0	55,884	55,884
Reserved for Innovative Education Program Strategies	0	159	159
Reserved for Special Education - Grants to States	0	50,623	50,623
Other Federal Reserves	0	56,669	56,669
Unreserved, Reported In:			
General Fund	1,052,760	0	1,052,760
Special Revenue Funds	0	185,852	185,852
Total Fund Balances	<u>\$ 1,120,526</u>	<u>\$ 349,187</u>	<u>\$ 1,469,713</u>
Total Liabilities and Fund Balances	<u>\$ 1,902,289</u>	<u>\$ 353,336</u>	<u>\$ 2,255,625</u>

Houston County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
Discretely Presented Houston County School Department  
June 30, 2005

Amounts reported for governmental activities in the statement of net assets  
(Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit J-2)	\$ 1,469,713
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	10,988,503
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(46,947)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>121,280</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 12,532,549</u>

Exhibit J-4

Houston County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,125,790	\$ 0	\$ 1,125,790
Licenses and Permits	579	0	579
Charges for Current Services	25,956	321,287	347,243
Other Local Revenues	78,548	2,803	81,351
State of Tennessee	6,483,077	836	6,483,913
Federal Government	0	1,110,032	1,110,032
Other Governments and Citizens Groups	30,000	0	30,000
Total Revenues	<u>\$ 7,743,950</u>	<u>\$ 1,434,958</u>	<u>\$ 9,178,908</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,259,124	\$ 678,583	\$ 4,937,707
Support Services	2,818,893	91,902	2,910,795
Operation of Non-Instructional Services	32,221	574,159	606,380
Capital Outlay	22,450	0	22,450
Debt Service:			
Principal	16,667	0	16,667
Interest	1,048	0	1,048
Other Debt Service	400,000	0	400,000
Total Expenditures	<u>\$ 7,550,403</u>	<u>\$ 1,344,644</u>	<u>\$ 8,895,047</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 193,547</u>	<u>\$ 90,314</u>	<u>\$ 283,861</u>
Net Change in Fund Balances	\$ 193,547	\$ 90,314	\$ 283,861
Fund Balance, July 1, 2004	<u>926,979</u>	<u>258,873</u>	<u>1,185,852</u>
Fund Balance, June 30, 2005	<u>\$ 1,120,526</u>	<u>\$ 349,187</u>	<u>\$ 1,469,713</u>

Exhibit J-5

Houston County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities  
(Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit J-4)	\$ 283,861
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation in the current period.	(319,365)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	9,983
(3) The issuance of long term debt (e.g. notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(13,333)
(4) 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.	<u>(109)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ (38,963)</u>

Exhibit J-6

Houston County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Houston County School Department  
June 30, 2005

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 163,492	\$ 185,852	\$ 349,344
Due from Other Governments	2,125	0	2,125
Accrued Interest Receivable	0	1,867	1,867
Total Assets	<u>\$ 165,617</u>	<u>\$ 187,719</u>	<u>\$ 353,336</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 2,282	\$ 0	\$ 2,282
Other Deferred Revenues	0	1,867	1,867
Total Liabilities	<u>\$ 2,282</u>	<u>\$ 1,867</u>	<u>\$ 4,149</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 55,884	\$ 0	\$ 55,884
Reserved for Innovative Education Program Strategies	159	0	159
Reserved for Special Education - Grants to States	50,623	0	50,623
Other Federal Reserves	56,669	0	56,669
Unreserved	0	185,852	185,852
Total Fund Balances	<u>\$ 163,335</u>	<u>\$ 185,852</u>	<u>\$ 349,187</u>
Total Liabilities and Fund Balances	<u>\$ 165,617</u>	<u>\$ 187,719</u>	<u>\$ 353,336</u>

Exhibit J-7

Houston County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2005

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 321,287	\$ 321,287
Other Local Revenues	0	2,803	2,803
State of Tennessee	0	836	836
Federal Government	802,185	307,847	1,110,032
Total Revenues	<u>\$ 802,185</u>	<u>\$ 632,773</u>	<u>\$ 1,434,958</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 678,583	\$ 0	\$ 678,583
Support Services	91,902	0	91,902
Operation of Non-Instructional Services	0	574,159	574,159
Total Expenditures	<u>\$ 770,485</u>	<u>\$ 574,159</u>	<u>\$ 1,344,644</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 31,700</u>	<u>\$ 58,614</u>	<u>\$ 90,314</u>
Net Change in Fund Balances	\$ 31,700	\$ 58,614	\$ 90,314
Fund Balance, July 1, 2004	<u>131,635</u>	<u>127,238</u>	<u>258,873</u>
Fund Balance, June 30, 2005	<u>\$ 163,335</u>	<u>\$ 185,852</u>	<u>\$ 349,187</u>

Exhibit J-8

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Houston County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,125,790	\$ 1,074,000	\$ 1,074,000	\$ 51,790
Licenses and Permits	579	400	400	179
Charges for Current Services	25,956	23,500	26,404	(448)
Other Local Revenues	78,548	101,000	126,421	(47,873)
State of Tennessee	6,483,077	6,350,000	6,383,300	99,777
Federal Government	0	17,000	17,000	(17,000)
Other Governments and Citizens Groups	30,000	0	30,000	0
Total Revenues	<u>\$ 7,743,950</u>	<u>\$ 7,565,900</u>	<u>\$ 7,657,525</u>	<u>\$ 86,425</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,587,798	\$ 3,729,319	\$ 3,729,319	\$ 141,521
Special Education Program	466,530	468,941	468,941	2,411
Vocational Education Program	204,796	230,286	230,286	25,490
<u>Support Services</u>				
Attendance	69,789	71,855	71,855	2,066
Health Services	0	600	600	600
Other Student Support	148,580	160,373	163,277	14,697
Regular Instruction Program	340,209	384,706	384,706	44,497
Alternative Instruction Program	50,889	54,354	54,354	3,465
Special Education Program	135,866	142,595	142,595	6,729
Vocational Education Program	747	1,500	1,500	753
Board of Education	220,231	228,700	234,462	14,231
Director of Schools	113,416	119,700	119,700	6,284
Office of the Principal	485,155	519,948	519,948	34,793
Fiscal Services	98,122	137,130	137,130	39,008
Operation of Plant	608,595	656,750	656,750	48,155
Maintenance of Plant	141,065	148,665	168,324	27,259
Transportation	402,710	401,535	431,535	28,825
Central and Other	3,519	9,900	9,900	6,381
<u>Operation of Non-Instructional Services</u>				
Food Service	27,335	27,660	27,660	325
Community Services	4,886	0	33,300	28,414
<u>Capital Outlay</u>				
Regular Capital Outlay	22,450	30,000	30,000	7,550
<u>Principal</u>				
Education	16,667	417,000	17,000	333
<u>Interest</u>				
Education	1,048	2,000	2,000	952
<u>Other Debt Service</u>				
Education	400,000	0	400,000	0
Total Expenditures	<u>\$ 7,550,403</u>	<u>\$ 7,943,517</u>	<u>\$ 8,035,142</u>	<u>\$ 484,739</u>

(Continued)

Exhibit J-8

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Houston County School Department  
General Purpose School Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 193,547	\$ (377,617)	\$ (377,617)	\$ 571,164
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 300	\$ 300	\$ (300)
Total Other Financing Sources (Uses)	\$ 0	\$ 300	\$ 300	\$ (300)
Net Change in Fund Balance	\$ 193,547	\$ (377,317)	\$ (377,317)	\$ 570,864
Fund Balance, July 1, 2004	926,979	894,126	894,126	32,853
Fund Balance, June 30, 2005	\$ 1,120,526	\$ 516,809	\$ 516,809	\$ 603,717

Exhibit J-9

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Houston County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 802,185	\$ 764,008	\$ 790,179	\$ 12,006
Total Revenues	\$ 802,185	\$ 764,008	\$ 790,179	\$ 12,006
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 379,054	\$ 376,463	\$ 457,632	\$ 78,578
Special Education Program	277,312	271,786	320,608	43,296
Vocational Education Program	22,217	25,900	22,400	183
<u>Support Services</u>				
Other Student Support	9,520	0	9,631	111
Regular Instruction Program	54,503	56,444	88,636	34,133
Special Education Program	5,416	11,000	12,744	7,328
Vocational Education Program	600	8,431	600	0
Fiscal Services	0	11,890	0	0
Transportation	21,863	0	21,863	0
Total Expenditures	\$ 770,485	\$ 761,914	\$ 934,114	\$ 163,629
Excess (Deficiency) of Revenues Over Expenditures	\$ 31,700	\$ 2,094	\$ (143,935)	\$ 175,635
Net Change in Fund Balance	\$ 31,700	\$ 2,094	\$ (143,935)	\$ 175,635
Fund Balance, July 1, 2004	131,635	263,270	263,270	(131,635)
Fund Balance, June 30, 2005	\$ 163,335	\$ 265,364	\$ 119,335	\$ 44,000

Exhibit J-10

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Houston County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 321,287	\$ 359,000	\$ 359,000	\$ (37,713)
Other Local Revenues	2,803	10,900	10,900	(8,097)
State of Tennessee	836	1,600	1,600	(764)
Federal Government	307,847	261,000	261,000	46,847
Total Revenues	<u>\$ 632,773</u>	<u>\$ 632,500</u>	<u>\$ 632,500</u>	<u>\$ 273</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 574,159	\$ 632,500	\$ 632,500	\$ 58,341
Total Expenditures	<u>\$ 574,159</u>	<u>\$ 632,500</u>	<u>\$ 632,500</u>	<u>\$ 58,341</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 58,614</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 58,614</u>
Net Change in Fund Balance	\$ 58,614	\$ 0	\$ 0	\$ 58,614
Fund Balance, July 1, 2004	127,238	125,944	125,944	1,294
Fund Balance, June 30, 2005	<u>\$ 185,852</u>	<u>\$ 125,944</u>	<u>\$ 125,944</u>	<u>\$ 59,908</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Houston County, Tennessee  
Schedule of Changes in Long-term Notes,  
Other Loans, Capital Leases, and Bonds  
Primary Government and Discretely Presented  
Houston County School Department  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
National Guard Building	\$ 150,000	5.75	% 4-25-1994	4-25-06	\$ 25,000	\$ 0	\$ 12,500	\$ 12,500
Library Expansion and Improvement	70,000	4.75	7-25-1995	7-25-04	7,778	0	7,778	0
Library Expansion and Equipment	20,000	4.5	9-13-1995	9-13-04	2,178	0	2,178	0
E-911 Building and Equipment	50,000	5.95	4-9-1997	4-9-06	15,000	0	10,000	5,000
Houston County Park Improvements	96,000	0	8-28-1997	8-28-07	30,400	0	9,600	20,800
Jail Site	45,000	5.02	4-13-1998	4-13-08	22,500	0	3,750	18,750
Solid Waste Equipment and Construction	160,000	3.74	12-4-02	12-4-10	140,000	0	20,000	120,000
Ambulance	47,000	1.83	11-5-03	11-5-08	47,000	0	9,443	37,557
Health Department Addition	60,000	3.9	5-21-04	5-21-16	60,000	0	5,000	55,000
Convenience Center Front Wheel Loader	110,287	3.29	6-1-04	6-1-16	110,287	0	9,191	101,096
Ambulance	41,000	3.49	6-1-04	6-1-08	41,000	0	10,250	30,750
Ambulance	29,151	3.29	6-2-04	6-2-07	29,151	0	13,000	16,151
Roofing of County Buildings	20,000	3.89	4-14-05	4-14-11	0	20,000	0	20,000
Total Notes Payable					<u>\$ 530,294</u>	<u>\$ 20,000</u>	<u>\$ 112,690</u>	<u>\$ 437,604</u>
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Courthouse Renovations	1,800,000	variable	10-21-1999	5-25-24	\$ 1,662,000	\$ 0	\$ 50,000	\$ 1,612,000
School Construction	10,000,000	variable	1-31-00	5-25-27	9,571,000	0	231,000	9,340,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	954,000	0	25,000	929,000
Jail Construction and Courthouse Renovations	(1)	variable	4-26-02	5-25-27	189,200	0	28,000	161,200
Total Other Loans Payable					<u>\$ 12,376,200</u>	<u>\$ 0</u>	<u>\$ 334,000</u>	<u>\$ 12,042,200</u>

(Continued)

Exhibit K-1

Houston County, Tennessee  
Schedule of Changes in Long-term Notes,  
Other Loans, Capital Leases, and Bonds  
Primary Government and Discretely Presented  
Houston County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Patrol Cars	\$ 95,851	4.9 %	9-23-03	9-23-06	\$ 70,142	\$ 0	\$ 22,272	\$ 47,870
Total Capital Leases Payable					\$ 70,142	\$ 0	\$ 22,272	\$ 47,870
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Industrial Park Development (FmHA)	478,000	4 to 5	10-13-1977	10-1-16	\$ 214,000	\$ 0	\$ 14,000	\$ 200,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	122,375	0	6,408	115,967
Total Bonds Payable					\$ 336,375	\$ 0	\$ 20,408	\$ 315,967
<u>DISCRETELY PRESENTED HOUSTON COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Technology/Instruction Plan	50,000	3.1	4-21-03	4-21-06	\$ 33,333	\$ 0	\$ 16,667	\$ 16,666
Special Education Bus	30,000	3.89	4-14-05	4-14-17	0	30,000	0	30,000
Total Notes Payable					\$ 33,333	\$ 30,000	\$ 16,667	\$ 46,666

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$1,200,000, of which Houston County has drawn \$216,200.

Exhibit K-2

Houston County, Tennessee  
Schedule of Bond and Interest Requirements By Year

Year Ending June 30			Fm.H.A. Bonds - Industrial Park		Total Requirements
	Bond Requirements	Interest Requirements	Bond Requirements	Interest Requirements	
2006	\$ 6,705	\$ 5,363	\$ 16,000	\$ 9,600	\$ 37,668
2007	7,015	5,053	16,000	8,800	36,868
2008	7,339	4,729	16,000	8,000	36,068
2009	7,679	4,390	16,000	7,200	35,269
2010	8,034	4,034	16,000	6,400	34,468
2011	8,405	3,663	16,000	5,600	33,668
2012	8,794	3,274	16,000	4,800	32,868
2013	9,201	2,867	16,000	4,000	32,068
2014	9,626	2,442	16,000	3,200	31,268
2015	10,072	1,997	16,000	2,400	30,469
2016	10,537	1,531	20,000	1,500	33,568
2017	11,025	1,043	20,000	500	32,568
2018	11,535	534	0	0	12,069
Total	\$ 115,967	\$ 40,920	\$ 200,000	\$ 62,000	\$ 418,887

Exhibit K-3

Houston County, Tennessee  
Schedule of Investments - All Funds  
June 30, 2005

<u>Fund and Type</u>	<u>Amount</u>
<u>Constitutional Officers - Agency Fund</u>	
<u>Circuit Court Clerk</u>	
AIM Aggressive Growth Fund	<u>\$ 539</u>
Total Investments	<u>\$ 539</u>

Exhibit K-4

Houston County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 50,523	\$ 25,000	Auto Owners Mutual Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	46,715	100,000	"
Director of Schools	State Board of Education and County Board of Education	77,500	(1) 100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	42,469	328,000	Auto Owners Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	42,479	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	44,523	(2) 50,000	"
Register	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	48,636	(3) 25,000	"
Employee Blanket Bonds:				
County Mayor and Road Superintendent:				
All Employees			150,000	Local Government Property & Casualty Fund
Director of Schools:				
All Employees			150,000	Tennessee School Boards Risk Management Trust

- (1) Includes chief executive officer supplement of \$1,000.  
(2) Includes special commissioner fees of \$2,054.  
(3) Includes law enforcement training supplement of \$519.

Exhibit K-5

Houston County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2005

	Special Revenue Funds				Debt	Capital	Total
	General	Solid Waste / Sanitation	Constitutional Officers - Fees	Highway / Public Works	Service Fund	General Capital Projects Fund	
<b>Local Taxes</b>							
<b>County Property Taxes</b>							
Current Property Tax	\$ 1,530,293	\$ 188,092	\$ 0	\$ 8,543	\$ 179,525	\$ 0	\$ 1,906,453
Discount on Property Taxes	(9,362)	(1,151)	0	(52)	(1,099)	0	(11,664)
Trustee's Collections - Prior Year	134,656	16,446	0	751	15,725	0	167,578
Circuit/Clerk & Master Collections - Prior Years	25,493	3,139	0	145	2,902	0	31,679
Interest and Penalty	29,087	3,529	0	162	3,304	0	36,082
Payments in Lieu of Taxes - T.V.A.	0	79	0	79	0	0	158
Payments in Lieu of Taxes - Local Utilities	31,289	3,844	0	175	3,809	0	39,117
<b>County Local Option Taxes</b>							
Local Option Sales Tax	78,100	0	0	0	0	0	78,100
Hotel/Motel Tax	11,996	0	0	0	0	0	11,996
Wheel Tax	0	0	0	0	301,330	0	301,330
Litigation Tax - General	19,779	0	0	0	0	0	19,779
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	6,536	0	6,536
Business Tax	0	1,894	0	85	1,781	0	3,760
<b>Statutory Local Taxes</b>							
Bank Excise Tax	11,987	0	0	0	0	0	11,987
Wholesale Beer Tax	0	42,760	0	0	0	0	42,760
Interstate Telecommunications Tax	879	0	0	0	0	0	879
<b>Total Local Taxes</b>	<b>\$ 1,864,197</b>	<b>\$ 258,632</b>	<b>\$ 0</b>	<b>\$ 9,888</b>	<b>\$ 513,813</b>	<b>\$ 0</b>	<b>\$ 2,646,530</b>
<b>Fines, Forfeitures, and Penalties</b>							
<b>Circuit Court</b>							
Fines	\$ 665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 665
Officers Costs	1,333	0	0	0	0	0	1,333
Jail Fees	245	0	0	0	0	0	245
Data Entry Fee - Circuit Court	60	0	0	0	0	0	60
<b>General Sessions Court</b>							
Fines	10,440	0	0	600	0	0	11,040
Officers Costs	10,281	0	0	0	0	0	10,281
Drug Control Fines	685	0	0	0	0	0	685
Jail Fees	4,110	0	0	0	0	0	4,110
DUI Treatment Fines	2,446	0	0	0	0	0	2,446

(Continued)

Exhibit K-5

Houston County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds				Debt	Capital	Total
	General	Solid Waste / Sanitation	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>General Sessions Court (Cont.)</u>							
Data Entry Fee - General Sessions Court	\$ 838	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	838
<u>Juvenile Court</u>							
Fines	28	0	0	0	0	0	28
Officers Costs	2,132	0	0	0	0	0	2,132
Data Entry Fee - Juvenile Court	59	0	0	0	0	0	59
<u>Chancery Court</u>							
Officers Costs	790	0	0	0	0	0	790
Total Fines, Forfeitures, and Penalties	\$ 34,112	\$ 0	\$ 0	\$ 600	\$ 0	\$ 0	34,712
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 416,192	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	416,192
Work Release Charges for Board	4,496	0	0	0	0	0	4,496
Other General Service Charges	28,576	0	0	0	0	0	28,576
<u>Fees</u>							
Airport Fees	1,400	0	0	0	0	0	1,400
Recreation Fees	1,201	0	0	0	0	0	1,201
Copy Fees	519	0	0	0	0	0	519
Telephone Commissions	715	0	0	0	0	0	715
Constitutional Officers' Fees and Commissions	0	0	47,403	0	0	0	47,403
Data Processing Fee - Register	3,556	0	0	0	0	0	3,556
Sexual Offender Registration Fee	780	0	0	0	0	0	780
Total Charges for Current Services	\$ 457,435	\$ 0	\$ 47,403	\$ 0	\$ 0	\$ 0	504,838
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,078	\$ 2,078
Lease/Rentals	27,850	0	0	0	0	0	27,850
Sale of Materials and Supplies	521	400	0	0	0	0	921
Sale of Gasoline	0	0	0	24,141	0	0	24,141
Sale of Recycled Materials	0	2,757	0	0	0	0	2,757
Miscellaneous Refunds	1,595	292	0	3,581	0	0	5,468

(Continued)

Exhibit K-5

Houston County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds				Debt	Capital	Total
	General	Solid Waste / Sanitation	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>Other Local Revenues (Cont.)</u>							
<u>Nonrecurring Items</u>							
Insurance Recovery	\$ 11,873	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,873
Sale of Equipment	1,154	4,940	0	0	0	0	6,094
Damages Recovered from Individuals	741	0	0	0	0	0	741
Contributions & Gifts	349	0	0	0	0	0	349
<u>Other Local Revenues</u>							
Other Local Revenues	9,784	0	0	0	0	0	9,784
Total Other Local Revenues	\$ 53,867	\$ 8,389	\$ 0	\$ 27,722	\$ 0	\$ 2,078	\$ 92,056
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 28,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	28,000
<u>Fees In-Lieu-of Salary</u>							
Circuit Court Clerk	9,843	0	0	0	0	0	9,843
General Sessions Court Clerk	22,267	0	0	0	0	0	22,267
Clerk and Master	29,537	0	0	0	0	0	29,537
Juvenile Court Clerk	2,891	0	0	0	0	0	2,891
Register	41,608	0	0	0	0	0	41,608
Sheriff	2,267	0	0	0	0	0	2,267
Trustee	100,598	0	0	0	0	0	100,598
Total Fees Received from County Officials	\$ 237,011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	237,011
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	3,754	0	0	0	0	0	3,754
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	2,594	0	0	0	0	0	2,594
Other Public Safety Grants	13,994	0	0	0	0	0	13,994
<u>Public Works Grants</u>							
Bridge Program	0	0	0	46,801	0	0	46,801
State Aid Program	0	0	0	180,982	0	0	180,982
Litter Program	22,184	0	0	0	0	0	22,184

(Continued)

Exhibit K-5

Houston County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types (Cont.)

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues</u>							
Income Tax	\$ 0	\$ 43	\$ 0	\$ 43	\$ 0	\$ 0	\$ 86
Beer Tax	0	16,778	0	0	0	0	16,778
Alcoholic Beverage Tax	6,617	5,944	0	0	0	0	12,561
State Revenue Sharing - T.V.A.	0	22,091	0	18,091	0	0	40,182
Contracted Prisoner Boarding	58,321	0	0	0	71,279	0	129,600
Gasoline and Motor Fuel Tax	0	0	0	1,260,615	0	0	1,260,615
Petroleum Special Tax	0	0	0	6,506	0	0	6,506
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	40,790	10,570	0	0	0	0	51,360
Other State Revenues	10,098	0	0	0	0	0	10,098
Total State of Tennessee	\$ 183,732	\$ 55,426	\$ 0	\$ 1,513,038	\$ 71,279	\$ 0	\$ 1,823,475
<u>Federal Government</u>							
<u>Federal Through State</u>							
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 4,571	\$ 0	\$ 0	\$ 4,571
Homeland Security Grants	6,237	0	0	0	0	0	6,237
Other Federal through State	48,000	0	0	0	0	0	48,000
Total Federal Government	\$ 54,237	\$ 0	\$ 0	\$ 4,571	\$ 0	\$ 0	\$ 58,808
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 40,730	\$ 0	\$ 0	\$ 0	\$ 400,000	\$ 0	\$ 440,730
Contracted Services	19,653	0	0	0	0	0	19,653
<u>Other</u>							
Other	822	0	0	0	0	0	822
Total Other Governments and Citizens Groups	\$ 61,205	\$ 0	\$ 0	\$ 0	\$ 400,000	\$ 0	\$ 461,205
Total	\$ 2,945,796	\$ 322,447	\$ 47,403	\$ 1,555,819	\$ 985,092	\$ 2,078	\$ 5,858,635

Exhibit K-6

Houston County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 568,796	\$ 0	\$ 0	\$ 568,796
Discount on Property Taxes	(3,504)	0	0	(3,504)
Trustee's Collections - Prior Year	54,487	0	0	54,487
Circuit/Clerk & Master Collections - Prior Years	9,561	0	0	9,561
Interest and Penalty	10,902	0	0	10,902
Payments in Lieu of Taxes - T.V.A.	887	0	0	887
Payments in Lieu of Taxes - Local Utilities	11,714	0	0	11,714
<u>County Local Option Taxes</u>				
Local Option Sales Tax	450,739	0	0	450,739
Business Tax	20,857	0	0	20,857
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	1,351	0	0	1,351
<b>Total Local Taxes</b>	<b>\$ 1,125,790</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,125,790</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 579	\$ 0	\$ 0	\$ 579
<b>Total Licenses and Permits</b>	<b>\$ 579</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 579</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 7,942	\$ 0	\$ 0	\$ 7,942
Tuition - Summer School	1,376	0	0	1,376
Lunch Payments - Children	0	0	166,416	166,416
Lunch Payments - Adults	0	0	22,588	22,588
Income from Breakfast	0	0	20,696	20,696
A la carte Sales	0	0	111,306	111,306
Receipts from Individual Schools	16,638	0	281	16,919
<b>Total Charges for Current Services</b>	<b>\$ 25,956</b>	<b>\$ 0</b>	<b>\$ 321,287</b>	<b>\$ 347,243</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 55,278	\$ 0	\$ 2,803	\$ 58,081
Lease/Rentals	2	0	0	2
Miscellaneous Refunds	1,792	0	0	1,792
<u>Nonrecurring Items</u>				
Insurance Recovery	21,321	0	0	21,321
<u>Other Local Revenues</u>				
Other Local Revenues	155	0	0	155
<b>Total Other Local Revenues</b>	<b>\$ 78,548</b>	<b>\$ 0</b>	<b>\$ 2,803</b>	<b>\$ 81,351</b>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 6,068,844	\$ 0	\$ 0	\$ 6,068,844
School Food Service	7,523	0	836	8,359
Other State Education Funds	68,089	0	0	68,089
Career Ladder Program	86,572	0	0	86,572
Career Ladder - Extended Contract	49,279	0	0	49,279

(Continued)

Exhibit K-6

Houston County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
Income Tax	\$ 480	\$ 0	\$ 0	\$ 480
State Revenue Sharing - T.V.A.	202,290	0	0	202,290
Total State of Tennessee	\$ 6,483,077	\$ 0	\$ 836	\$ 6,483,913
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 226,253	\$ 226,253
Breakfast	0	0	81,594	81,594
Vocational Education - Basic Grants to States	0	30,163	0	30,163
Title I Grants to Local Education Agencies	0	334,334	0	334,334
Innovative Education Program Strategies	0	57,261	0	57,261
Special Education - Grants to States	0	272,397	0	272,397
Special Education Preschool Grants	0	13,862	0	13,862
Eisenhower Professional Development State Grants	0	83,126	0	83,126
Other Federal through State	0	11,042	0	11,042
Total Federal Government	\$ 0	\$ 802,185	\$ 307,847	\$ 1,110,032
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Total Other Governments and Citizens Groups	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Total	\$ 7,743,950	\$ 802,185	\$ 632,773	\$ 9,178,908

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	11,350	
Social Security		704	
Employer Medicare		165	
Audit Services		1,916	
Legal Notices, Recording and Court Costs		2,735	
Total County Commission			\$ 16,870

Board of Equalization

Board and Committee Members Fees	\$	747	
Social Security		46	
Employer Medicare		11	
Total Board of Equalization			804

Budget and Finance Committee

Other Salaries & Wages	\$	900	
Board and Committee Members Fees		2,950	
Social Security		239	
Employer Medicare		56	
Total Budget and Finance Committee			4,145

County Mayor

County Official/Administrative Officer	\$	50,523	
Accountants/Bookkeepers		20,197	
Clerical Personnel		17,646	
In-Service Training		1,100	
Social Security		5,479	
Unemployment Compensation		361	
Employer Medicare		1,281	
Communication		3,499	
Data Processing Services		6,596	
Legal Notices, Recording and Court Costs		296	
Travel		3,391	
Office Supplies		2,907	
Premiums on Corporate Surety Bonds		68	
Other Charges		397	
Data Processing Equipment		4,488	
Total County Mayor			118,229

County Attorney

County Official/Administrative Officer	\$	15,945	
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(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

County Attorney (Cont.)

Instructional Supplies and Materials	\$ 225	
Total County Attorney		\$ 16,170

Election Commission

County Official/Administrative Officer	\$ 34,994	
Clerical Personnel	13,689	
Election Commission	3,600	
Election Workers	14,575	
Social Security	3,473	
Unemployment Compensation	308	
Employer Medicare	812	
Communication	1,337	
Data Processing Services	1,725	
Dues and Memberships	175	
Legal Notices, Recording and Court Costs	4,883	
Maintenance & Repair Services- Office Equipment	1,439	
Rentals	200	
Travel	588	
Data Processing Supplies	6,034	
Other Supplies and Materials	1,927	
Data Processing Equipment	1,708	
Voting Machines	3,980	
Total Election Commission		95,447

Register of Deeds

County Official/Administrative Officer	\$ 42,469	
Deputy(ies)	15,827	
Social Security	3,614	
Unemployment Compensation	214	
Employer Medicare	845	
Communication	727	
Data Processing Services	1,000	
Dues and Memberships	352	
Printing, Stationery and Forms	139	
Travel	300	
Office Supplies	3,066	
Premiums on Corporate Surety Bonds	68	
Data Processing Equipment	4,320	
Office Equipment	470	
Total Register of Deeds		73,411

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

General Government (Cont.)

Building

Social Security	\$	50	
Unemployment Compensation		18	
Employer Medicare		12	
Maintenance & Repair Services- Buildings		11,575	
Total Building			\$ 11,655

County Buildings

Custodial Personnel	\$	13,371	
Social Security		809	
Unemployment Compensation		212	
Employer Medicare		189	
Maintenance Agreements		1,714	
Maintenance & Repair Services- Buildings		5,054	
Custodial Supplies		3,736	
Electricity		14,613	
Natural Gas		3,580	
Water and Sewer		2,772	
Building and Contents Insurance		7,500	
Other Construction		6,415	
Total County Buildings			59,965

Other General Administration

Postal Charges	\$	1,736	
Rentals		3,478	
Data Processing Supplies		1,593	
Total Other General Administration			6,807

Finance

Central Services

Other Salaries & Wages	\$	7,725	
Social Security		479	
Unemployment Compensation		146	
Employer Medicare		112	
Total Central Services			8,462

Property Assessor's Office

County Official/Administrative Officer	\$	42,469	
Secretary(s)		12,727	
Social Security		3,422	
Unemployment Compensation		177	

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Employer Medicare	\$	800	
Communication		829	
Contracts with Private Agencies		4,800	
Data Processing Services		1,325	
Dues and Memberships		786	
Legal Notices, Recording and Court Costs		55	
Maintenance & Repair Services- Office Equipment		23	
Maintenance & Repair Services- Vehicles		305	
Travel		117	
Gasoline		267	
Office Supplies		901	
Premiums on Corporate Surety Bonds		68	
Other Charges		302	
Total Property Assessor's Office			\$ 69,373

Reappraisal Program

Laborers	\$	4,398	
Clerical Personnel		644	
Social Security		313	
Unemployment Compensation		105	
Employer Medicare		73	
Data Processing Services		1,035	
Postal Charges		144	
Travel		82	
Total Reappraisal Program			6,794

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
Clerical Personnel		17,191	
Social Security		3,699	
Unemployment Compensation		176	
Employer Medicare		865	
Communication		1,399	
Data Processing Services		6,916	
Dues and Memberships		367	
Legal Notices, Recording and Court Costs		166	
Travel		698	
Office Supplies		3,034	
Premiums on Corporate Surety Bonds		809	
Data Processing Equipment		4,843	
Total County Trustee's Office			82,632

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Deputy(ies)	\$	16,165	
Secretary(s)		23,329	
Clerical Personnel		6,283	
Other Salaries & Wages		3,712	
Other Per Diem & Fees		750	
Social Security		4,824	
Unemployment Compensation		1,372	
Employer Medicare		1,333	
Communication		2,968	
Freight Expenses		44	
Maintenance & Repair Services- Equipment		261	
Maintenance & Repair Services- Office Equipment		40	
Travel		157	
Office Supplies		4,002	
Premiums on Corporate Surety Bonds		68	
Other Charges		48	
Office Equipment		860	
Total County Clerk's Office			\$ 66,216

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		16,157	
Clerical Personnel		11,893	
Other Salaries & Wages		4,728	
Board and Committee Members Fees		75	
Jury and Witness Fees		5,802	
Social Security		4,665	
Unemployment Compensation		434	
Employer Medicare		1,091	
Communication		1,618	
Dues and Memberships		257	
Printing, Stationery and Forms		450	
Office Supplies		5,607	
Premiums on Corporate Surety Bonds		136	
Total Circuit Court			95,382

General Sessions Judge

Judge(s)	\$	32,840
Salary Supplements		2,868

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Social Security	\$	2,214	
Employer Medicare		518	
Dues and Memberships		170	
Travel		689	
Office Supplies		1,750	
Other Supplies and Materials		460	
Total General Sessions Judge			\$ 41,509

Chancery Court

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		15,010	
Social Security		3,564	
Unemployment Compensation		215	
Employer Medicare		833	
Communication		1,267	
Dues and Memberships		60	
Legal Notices, Recording and Court Costs		19	
Travel		89	
Office Supplies		2,326	
Premiums on Corporate Surety Bonds		257	
Data Processing Equipment		1,492	
Office Equipment		1,287	
Total Chancery Court			68,888

Juvenile Court

Judge(s)	\$	8,612	
Social Workers		23,852	
Guards		120	
Social Security		2,013	
Unemployment Compensation		174	
Employer Medicare		471	
Communication		1,557	
Contracts with Private Agencies		1,375	
Travel		260	
Other Contracted Services		276	
Other Supplies and Materials		276	
Total Juvenile Court			38,986

District Attorney General

County Official/Administrative Officer	\$	2,585	
Total District Attorney General			2,585

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

Clerical Personnel	\$ 11,000	
Social Security	682	
Unemployment Compensation	30	
Employer Medicare	160	
Communication	210	
Total Judicial Commissioners		\$ 12,082

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 48,117	
Deputy(ies)	158,273	
Salary Supplements	2,594	
Secretary(s)	8,638	
Part-time Personnel	5,809	
In-Service Training	3,340	
Social Security	13,450	
Unemployment Compensation	1,478	
Employer Medicare	3,420	
Communication	3,883	
Maintenance & Repair Services- Equipment	2,028	
Maintenance & Repair Services- Office Equipment	875	
Maintenance & Repair Services- Vehicles	10,191	
Postal Charges	407	
Travel	1,492	
Gasoline	17,339	
Law Enforcement Supplies	2,213	
Office Supplies	1,732	
Tires and Tubes	1,647	
Uniforms	1,500	
Other Supplies and Materials	500	
Premiums on Corporate Surety Bonds	97	
Vehicle and Equipment Insurance	4,500	
Data Processing Equipment	2,070	
Law Enforcement Equipment	1,998	
Office Equipment	19,091	
Total Sheriff's Department		316,682

Drug Enforcement

Evaluation and Testing	\$ 2,825	
Total Drug Enforcement		2,825

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Jail

Guards	\$	189,119	
Secretary(s)		7,628	
Cafeteria Personnel		22,993	
Social Security		13,595	
Unemployment Compensation		2,748	
Employer Medicare		3,180	
Communication		5,000	
Maintenance & Repair Services- Buildings		10,853	
Maintenance & Repair Services- Office Equipment		916	
Medical and Dental Services		19,418	
Pest Control		240	
Postal Charges		400	
Travel		500	
Custodial Supplies		2,684	
Electricity		20,254	
Food Supplies		23,103	
Gasoline		5,712	
Law Enforcement Supplies		682	
Office Supplies		736	
Prisoners Clothing		1,440	
Uniforms		1,182	
Utilities		17,781	
Other Supplies and Materials		594	
Total Jail			\$ 350,758

Fire Prevention and Control

Contributions	\$	1,000	
Other Contracted Services		10,000	
Maintenance Equipment		5,438	
Total Fire Prevention and Control			16,438

Civil Defense

Supervisor/Director	\$	10,630	
Social Security		659	
Unemployment Compensation		157	
Employer Medicare		154	
Communication		267	
Maintenance & Repair Services- Vehicles		439	
Travel		863	
Gasoline		639	

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Office Supplies	\$	35	
Other Charges		10,092	
Maintenance Equipment		3,100	
Office Equipment		2,480	
Total Civil Defense			\$ 29,515

Other Emergency Management

Supervisor/Director	\$	20,385	
Salary Supplements		5,822	
Dispatchers/Radio Operators		76,418	
In-Service Training		911	
Social Security		6,402	
Unemployment Compensation		1,114	
Employer Medicare		1,497	
Communication		3,273	
Contracts with Private Agencies		6,120	
Maintenance & Repair Services- Buildings		972	
Maintenance & Repair Services- Office Equipment		1,157	
Pest Control		120	
Postal Charges		100	
Travel		1,271	
Other Contracted Services		399	
Custodial Supplies		297	
Electricity		2,490	
Natural Gas		500	
Office Supplies		2,497	
Water and Sewer		441	
Total Other Emergency Management			132,186

County Coroner/Medical Examiner

Medical Personnel	\$	11,938	
Premiums on Corporate Surety Bonds		68	
Total County Coroner/Medical Examiner			12,006

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	2,880	
Communication		2,108	
Contracts with Government Agencies		3,930	
Postal Charges		400	

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Custodial Supplies	\$	422	
Drugs and Medical Supplies		309	
Electricity		2,049	
Office Supplies		345	
Water and Sewer		892	
Building and Contents Insurance		537	
Other Charges		420	
Total Local Health Center			\$ 14,292

Ambulance/Emergency Medical Services

Supervisor/Director	\$	31,340	
Accountants/Bookkeepers		20,184	
Medical Personnel		198,643	
Paraprofessionals		166,150	
In-Service Training		1,671	
Social Security		25,812	
Unemployment Compensation		3,154	
Employer Medicare		6,037	
Communication		4,244	
Contracts with Private Agencies		1,980	
Operating Lease Payments		9,900	
Legal Services		1,598	
Licenses		650	
Maintenance & Repair Services- Buildings		333	
Maintenance & Repair Services- Vehicles		4,094	
Pest Control		60	
Postal Charges		416	
Travel		367	
Remittance of Revenue Collected		34	
Other Contracted Services		30	
Custodial Supplies		1,196	
Drugs and Medical Supplies		16,222	
Electricity		1,790	
Gasoline		10,267	
Office Supplies		1,322	
Uniforms		3,188	
Utilities		2,415	
Data Processing Equipment		1,200	
Motor Vehicles		70,273	
Office Equipment		2,377	
Total Ambulance/Emergency Medical Services			586,947

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Office Supplies	\$ 2,244	
Total Other Local Health Services		\$ 2,244

Sanitation Education/Information

Laborers	\$ 12,700	
Clerical Personnel	5,661	
Social Security	1,138	
Unemployment Compensation	308	
Employer Medicare	266	
Maintenance & Repair Services- Vehicles	905	
Gasoline	2,234	
Other Supplies and Materials	102	
Workers' Compensation Insurance	1,400	
Other Charges	4,682	
Total Sanitation Education/Information		29,396

Social, Cultural and Recreational Services

Adult Activities

Contributions	\$ 51,190	
Total Adult Activities		51,190

Libraries

Deputy(ies)	\$ 17,688
Librarians	27,850
Part-time Personnel	13,627
Other Salaries & Wages	1,680
Social Security	3,698
Unemployment Compensation	502
Employer Medicare	865
Communication	2,136
Dues and Memberships	350
Janitorial Services	1,380
Maintenance & Repair Services- Buildings	1,745
Postal Charges	1,174
Travel	643
Other Contracted Services	135
Custodial Supplies	389
Data Processing Supplies	1,704
Electricity	6,037
Library Books/Media	15,679

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries (Cont.)

Natural Gas	\$	1,106	
Office Supplies		1,995	
Water and Sewer		313	
Other Supplies and Materials		641	
Total Libraries			\$ 101,337

Other Social, Cultural and Recreational

Contracts with Other Public Agencies	\$	55,900	
Total Other Social, Cultural and Recreational			55,900

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	6,604	
Supervisor/Director		10,640	
Secretary(s)		4,572	
Social Security		974	
Local Retirement		1,778	
Communication		1,764	
Data Processing Equipment		1,244	
Other Equipment		471	
Total Agriculture Extension Service			28,047

Soil Conservation

Board and Committee Members Fees	\$	5,999	
Social Security		372	
Unemployment Compensation		132	
Employer Medicare		87	
Communication		339	
Contributions		3,300	
Total Soil Conservation			10,229

Other Operations

Tourism

Maintenance Personnel	\$	504	
Social Security		31	
Unemployment Compensation		11	
Employer Medicare		7	
Maintenance & Repair Services- Buildings		3,681	
Other Contracted Services		238	
Electricity		2,218	

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations (Cont.)

Tourism (Cont.)

Garage Supplies	\$	835	
Building Improvements		<u>75,220</u>	
Total Tourism			\$ 82,745

Other Economic and Community Development

County Official/Administrative Officer	\$	16,160	
Assistant(s)		5,856	
Social Security		1,365	
Unemployment Compensation		420	
Employer Medicare		319	
Maintenance & Repair Services- Buildings		13,503	
Food Supplies		2,508	
Office Supplies		825	
Office Equipment		<u>11,460</u>	
Total Other Economic and Community Development			52,416

Airport

Contracts with Private Agencies	\$	4,042	
Maintenance Agreements		440	
Maintenance & Repair Services- Buildings		424	
Electricity		883	
Building and Contents Insurance		<u>1,250</u>	
Total Airport			7,039

Veterans' Services

County Official/Administrative Officer	\$	1,558	
Social Security		89	
Employer Medicare		<u>21</u>	
Total Veterans' Services			1,668

Employee Benefits

Unemployment Compensation	\$	12	
Workers' Compensation Insurance		<u>15,962</u>	
Total Employee Benefits			15,974

Payments to Cities

Matching Share	\$	<u>6,422</u>	
Total Payments to Cities			6,422

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Dues and Memberships	\$ 4,428	
Remittance of Revenue Collected	13,382	
Liability Insurance	38,275	
Trustee's Commission	36,210	
Data Processing Equipment	5,173	
Total Miscellaneous		\$ 97,468

Principal

General Government

Principal on Capital Leases	\$ 22,272	
Total General Government		22,272

Interest

General Government

Interest on Capital Leases	\$ 3,437	
Total General Government		3,437

Capital Projects

General Administration Projects

Building Improvements	\$ 259	
Total General Administration Projects		259

Public Utility Projects

Other Contracted Services	\$ 9,000	
Total Public Utility Projects		9,000

Other General Government Projects

Other Contracted Services	\$ 22,791	
Total Other General Government Projects		22,791

Total General Fund \$ 2,957,895

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Equipment Operators	\$ 58,645
Other Salaries & Wages	4,572
Social Security	3,917
Unemployment Compensation	841
Employer Medicare	916

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Communication	\$	583	
Contracts with Private Agencies		78,302	
Evaluation and Testing		4,012	
Laundry Service		738	
Operating Lease Payments		10,581	
Maintenance & Repair Services- Equipment		13,883	
Travel		78	
Disposal Fees		1,000	
Electricity		1,645	
Gasoline		14,166	
Water and Sewer		2,040	
Total Convenience Centers			\$ 195,919

Recycling Center

Other Contracted Services	\$	63,668	
Total Recycling Center			63,668

Landfill Operation and Maintenance

General Construction Materials	\$	3,838	
Total Landfill Operation and Maintenance			3,838

Other Operations

Other Charges

Trustee's Commission	\$	5,084	
Total Other Charges			5,084

Employee Benefits

Workers' Compensation Insurance	\$	6,000	
Total Employee Benefits			6,000

Total Solid Waste/Sanitation Fund \$ 274,509

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	1,000	
Other Charges		485	
Total Drug Enforcement			\$ 1,485

Total Drug Control Fund 1,485

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 42,823	
Total County Clerk's Office		<u>\$ 42,823</u>

Total Constitutional Officers - Fees Fund \$ 42,823

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 46,715	
Accountants/Bookkeepers	24,960	
Secretary(s)	18,596	
Data Processing Services	5,300	
Dues and Memberships	1,900	
Freight Expenses	989	
Operating Lease Payments	1,598	
Legal Notices, Recording and Court Costs	527	
Postal Charges	248	
Printing, Stationery and Forms	944	
Office Supplies	1,538	
Other Charges	98	
Total Administration		<u>\$ 103,413</u>

Highway and Bridge Maintenance

Foremen	\$ 34,823	
Equipment Operators	87,096	
Truck Drivers	94,845	
Laborers	138,180	
Other Contracted Services	2,894	
Asphalt - Cold Mix	13,845	
Asphalt - Liquid	145,404	
Concrete	17	
Crushed Stone	124,209	
Ice	376	
Other Road Supplies	359	
Pipe - Metal	17,885	
Road Signs	3,484	
Salt	2,295	
Structural Steel	173	
Wood Products	3,486	
Other Supplies and Materials	279	
Total Highway and Bridge Maintenance		<u>669,650</u>

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	32,770	
Maintenance & Repair Services- Equipment		11,757	
Maintenance & Repair Services- Vehicles		3,714	
Diesel Fuel		57,980	
Equipment and Machinery Parts		49,401	
Garage Supplies		8,854	
Gasoline		25,428	
Lubricants		1,856	
Small Tools		1,400	
Tires and Tubes		8,811	
Vehicle Parts		12,380	
Total Operation and Maintenance of Equipment			\$ 214,351

Other Charges

Communication	\$	4,862	
Contracts with Private Agencies		1,411	
Pest Control		240	
Rentals		759	
Custodial Supplies		634	
Drugs and Medical Supplies		690	
Electricity		2,820	
Water and Sewer		530	
Other Supplies and Materials		823	
Trustee's Commission		12,988	
Vehicle and Equipment Insurance		14,518	
Other Charges		2,299	
Total Other Charges			42,574

Employee Benefits

Social Security	\$	27,896	
Life Insurance		3,744	
Medical Insurance		59,078	
Unemployment Compensation		7,887	
Employer Medicare		6,524	
Laundry Service		4,324	
Workers' Compensation Insurance		22,322	
Total Employee Benefits			131,775

Capital Outlay

Engineering Services	\$	19,085	
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(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Bridge Construction	\$ 51,284	
Highway Equipment	190,660	
State Aid Projects	234,535	
Total Capital Outlay		\$ 495,564

Total Highway/Public Works Fund \$ 1,657,327

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$ 20,408	
Principal on Notes	112,690	
Principal on Other Loans Payable	103,000	
Total General Government		\$ 236,098

Education

Principal on Other Loans Payable	\$ 231,000	
Total Education		231,000

Interest

General Government

Interest on Bonds	\$ 16,010	
Interest on Notes	18,500	
Interest on Other Loans Payable	70,715	
Total General Government		105,225

Education

Interest on Other Loans Payable	\$ 227,020	
Total Education		227,020

Other Debt Service

General Government

Trustee's Commission	\$ 6,885	
Total General Government		6,885

Total General Debt Service Fund 806,228

(Continued)

Exhibit K-7

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types (Cont.)

<u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Building Construction	\$	<u>237,223</u>	
Total Public Health and Welfare Projects			\$ <u>237,223</u>
Total General Capital Projects Fund			\$ 237,223
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	<u>30,000</u>	
Total Education Capital Projects			\$ <u>30,000</u>
Total Education Capital Projects Fund			<u>30,000</u>
Total Governmental Funds - Primary Government			<u>\$ 6,007,490</u>

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,672,283	
Career Ladder Program	54,000	
Career Ladder Extended Contracts	39,350	
Homebound Teachers	4,260	
Educational Assistants	102,888	
Other Salaries & Wages	5,206	
Certified Substitute Teachers	37,040	
Social Security	172,477	
State Retirement	151,120	
Life Insurance	3,578	
Medical Insurance	162,063	
Unemployment Compensation	4,217	
Employer Medicare	40,338	
Maintenance & Repair Services- Equipment	450	
Other Contracted Services	15,000	
Instructional Supplies and Materials	42,155	
Textbooks	68,345	
Other Supplies and Materials	8,588	
Other Charges	2,514	
Regular Instruction Equipment	1,926	
Total Regular Instruction Program		\$ 3,587,798

Special Education Program

Teachers	\$ 328,475	
Career Ladder Program	6,360	
Homebound Teachers	1,642	
Educational Assistants	20,415	
Other Salaries & Wages	23,535	
Certified Substitute Teachers	7,102	
Social Security	22,499	
State Retirement	18,507	
Medical Insurance	31,765	
Unemployment Compensation	618	
Employer Medicare	5,262	
Special Education Equipment	350	
Total Special Education Program		466,530

Vocational Education Program

Teachers	\$ 161,262	
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(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Career Ladder Program	\$	2,000	
Certified Substitute Teachers		3,302	
Social Security		9,301	
State Retirement		8,979	
Medical Insurance		15,025	
Unemployment Compensation		188	
Employer Medicare		2,175	
Instructional Supplies and Materials		1,857	
Other Supplies and Materials		340	
Other Charges		367	
Total Vocational Education Program			\$ 204,796

Support Services

Attendance

Supervisor/Director	\$	57,591	
Career Ladder Program		1,000	
Social Security		3,515	
State Retirement		3,223	
Medical Insurance		3,244	
Unemployment Compensation		45	
Employer Medicare		822	
Travel		349	
Total Attendance			69,789

Other Student Support

Guidance Personnel	\$	99,835	
Assessment Personnel		5,060	
School Resource Officer		12,000	
Social Security		6,272	
State Retirement		5,769	
Medical Insurance		7,192	
Unemployment Compensation		158	
Employer Medicare		1,467	
Evaluation and Testing		10,716	
Other Supplies and Materials		111	
Total Other Student Support			148,580

Regular Instruction Program

Supervisor/Director	\$	36,671	
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(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Career Ladder Program	\$	1,500	
Librarians		154,523	
Instructional Computer Personnel		48,589	
Social Security		15,927	
State Retirement		13,427	
Medical Insurance		16,083	
Unemployment Compensation		327	
Employer Medicare		3,725	
Consultants		32,538	
Travel		1,634	
Library Books/Media		5,000	
In Service/Staff Development		10,265	
Total Regular Instruction Program			\$ 340,209

Alternative Instruction Program

Supervisor/Director	\$	37,706	
Career Ladder Program		1,000	
Social Security		2,027	
State Retirement		2,074	
Medical Insurance		5,936	
Unemployment Compensation		42	
Employer Medicare		474	
Other Equipment		1,630	
Total Alternative Instruction Program			50,889

Special Education Program

Supervisor/Director	\$	49,000	
Career Ladder Program		1,000	
Psychological Personnel		40,695	
Secretary(s)		12,307	
Clerical Personnel		12,670	
Social Security		6,985	
State Retirement		4,988	
Medical Insurance		2,462	
Unemployment Compensation		128	
Employer Medicare		1,633	
Travel		572	
Other Contracted Services		2,565	
Other Supplies and Materials		561	

(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Other Charges	\$ 300	
Total Special Education Program		\$ 135,866

Vocational Education Program

Travel	\$ 747	
Total Vocational Education Program		747

Board of Education

Board and Committee Members Fees	\$ 4,900	
Social Security	316	
Unemployment Compensation	4	
Employer Medicare	74	
Audit Services	2,800	
Dues and Memberships	7,385	
Legal Services	6,422	
Travel	589	
Other Contracted Services	1,250	
Liability Insurance	99,090	
Trustee's Commission	35,708	
Workers' Compensation Insurance	50,611	
In Service/Staff Development	1,425	
Criminal Investigation of Applicants - TBI	3,120	
Other Charges	6,537	
Total Board of Education		220,231

Director of Schools

County Official/Administrative Officer	\$ 76,500	
Career Ladder Program	1,000	
Clerical Personnel	12,308	
Social Security	5,422	
State Retirement	4,263	
Unemployment Compensation	67	
Employer Medicare	1,268	
Communication	11,058	
Postal Charges	1,295	
Travel	235	
Total Director of Schools		113,416

(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	229,411	
Career Ladder Program		7,000	
Assistant Principals		65,651	
Secretary(s)		81,305	
Clerical Personnel		27,415	
Social Security		24,454	
State Retirement		16,613	
Medical Insurance		18,340	
Unemployment Compensation		535	
Employer Medicare		5,719	
Communication		8,712	
Total Office of the Principal			\$ 485,155

Fiscal Services

Accountants/Bookkeepers	\$	25,360	
Secretary(s)		38,050	
Clerical Personnel		10,243	
Social Security		4,483	
Unemployment Compensation		111	
Employer Medicare		1,048	
Maintenance & Repair Services- Equipment		637	
Travel		316	
Other Contracted Services		8,917	
Data Processing Supplies		2,330	
Office Supplies		952	
Other Supplies and Materials		316	
Other Charges		23	
Administration Equipment		5,336	
Total Fiscal Services			98,122

Operation of Plant

Guards	\$	24,715	
Custodial Personnel		140,717	
Other Salaries & Wages		27,954	
Social Security		11,972	
Unemployment Compensation		782	
Employer Medicare		2,800	
Rentals		6,000	
Disposal Fees		3,118	

(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Contracted Services	\$	4,641	
Custodial Supplies		15,185	
Electricity		247,412	
Natural Gas		73,092	
Water and Sewer		46,153	
Other Supplies and Materials		280	
Boiler Insurance		3,276	
Other Charges		498	
Total Operation of Plant			\$ 608,595

Maintenance of Plant

Supervisor/Director	\$	81,894	
Social Security		5,028	
Unemployment Compensation		163	
Employer Medicare		1,176	
Maintenance & Repair Services- Buildings		44,903	
Maintenance & Repair Services- Equipment		5,197	
Other Supplies and Materials		2,687	
Other Charges		17	
Total Maintenance of Plant			141,065

Transportation

Supervisor/Director	\$	40,567	
Mechanic(s)		19,889	
Bus Drivers		124,808	
Other Salaries & Wages		20,573	
Social Security		12,762	
Unemployment Compensation		589	
Employer Medicare		2,985	
Contracts with Parents		72	
Maintenance & Repair Services- Vehicles		693	
Medical and Dental Services		1,805	
Travel		630	
Other Contracted Services		1,712	
Gasoline		52,321	
Lubricants		2,304	
Tires and Tubes		10,479	
Vehicle Parts		20,997	
Other Supplies and Materials		2,130	

(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Charges	\$	58	
Transportation Equipment		87,336	
Total Transportation			\$ 402,710

Central and Other

Data Processing Personnel	\$	2,557	
Social Security		159	
Unemployment Compensation		16	
Employer Medicare		37	
Consultants		750	
Total Central and Other			3,519

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	25,360	
Social Security		1,570	
Unemployment Compensation		38	
Employer Medicare		367	
Total Food Service			27,335

Community Services

Supervisor/Director	\$	2,062	
Social Security		128	
Unemployment Compensation		13	
Employer Medicare		30	
Other Supplies and Materials		2,448	
Other Charges		205	
Total Community Services			4,886

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	22,450	
Total Regular Capital Outlay			22,450

Principal

Education

Principal on Notes	\$	16,667	
Total Education			16,667

(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

General Purpose School Fund (Cont.)

Interest

Education

Interest on Notes	\$ 1,048	
Total Education		\$ 1,048

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 400,000	
Total Education		<u>400,000</u>

Total General Purpose School Fund		\$ 7,550,403
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 226,615	
Educational Assistants	69,740	
Other Salaries & Wages	7,056	
Certified Substitute Teachers	1,872	
Social Security	18,112	
State Retirement	12,817	
Medical Insurance	16,916	
Unemployment Compensation	588	
Employer Medicare	4,236	
Other Contracted Services	2,125	
Instructional Supplies and Materials	11,843	
Other Supplies and Materials	458	
Regular Instruction Equipment	<u>6,676</u>	
Total Regular Instruction Program		\$ 379,054

Special Education Program

Teachers	\$ 97,986
Educational Assistants	89,279
Certified Substitute Teachers	2,888
Social Security	11,615
State Retirement	5,389
Medical Insurance	3,244
Unemployment Compensation	541
Employer Medicare	2,716
Contracts with Private Agencies	38,101
Instructional Supplies and Materials	8,014

(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	9,461	
Other Charges		1,083	
Special Education Equipment		6,995	
Total Special Education Program			\$ 277,312

Vocational Education Program

Instructional Supplies and Materials	\$	18,089	
Vocational Instruction Equipment		4,128	
Total Vocational Education Program			22,217

Support Services

Other Student Support

Travel	\$	8,020	
In Service/Staff Development		1,500	
Total Other Student Support			9,520

Regular Instruction Program

Supervisor/Director	\$	22,002	
Accountants/Bookkeepers		12,810	
Social Security		2,182	
State Retirement		1,182	
Unemployment Compensation		60	
Employer Medicare		504	
Other Contracted Services		2,648	
Other Supplies and Materials		3,039	
In Service/Staff Development		10,076	
Total Regular Instruction Program			54,503

Special Education Program

Travel	\$	1,496	
In Service/Staff Development		3,920	
Total Special Education Program			5,416

Vocational Education Program

Other Charges	\$	600	
Total Vocational Education Program			600

Transportation

Transportation Equipment	\$	21,863	
Total Transportation			21,863

Total School Federal Projects Fund \$ 770,485

(Continued)

Exhibit K-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department (Cont.)

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	234,230	
Social Security		14,422	
Unemployment Compensation		891	
Employer Medicare		3,373	
Communication		1,245	
Maintenance & Repair Services- Equipment		15,392	
Transportation - Other than Students		4,735	
Travel		1,181	
Other Contracted Services		7,554	
Food Supplies		239,159	
Other Supplies and Materials		30,929	
In Service/Staff Development		1,438	
Other Charges		2,690	
Food Service Equipment		16,920	
Total Food Service			\$ 574,159

Total Central Cafeteria Fund \$ 574,159

Total Governmental Funds - Houston County School Department \$ 8,895,047

Exhibit K-9

Houston County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2005

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 372,398
Total Cash Receipts	<u>\$ 372,398</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 368,674
Trustee's Commission	<u>3,724</u>
Total Cash Disbursements	<u>\$ 372,398</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<u>0</u>
Cash Balance, June 30, 2005	<u><u>\$ 0</u></u>

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## STATISTICAL SECTION

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Table 1

Houston County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

<u>Year</u>	<u>Amount</u>
1994	\$ 363
1995	376
1996	507
1997	691
1998	1,308
1999	2,617
2000	2,999
2001	4,060
2002	13,906
2003	<u>18,327</u>
Total	<u>\$ 45,154</u>

Table 2

Houston County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.88	\$ 1.44	\$ 1.72	\$ 1.72	\$ 2.05	\$ 2.05	\$ 1.99	\$ 1.79	\$ 1.79	\$ 1.79
Solid Waste/Sanitation	0.00	0.06	0.08	0.08	0.06	0.06	0.06	0.22	0.22	0.22
Highway/Public Works	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
General Purpose School	1.22	0.92	0.92	0.92	0.92	0.92	0.92	0.67	0.67	0.67
General Debt Service	0.27	0.22	0.22	0.22	0.11	0.11	0.17	0.21	0.21	0.21
<b>Total Tax Rates</b>	<b>\$ 3.39</b>	<b>\$ 2.65</b>	<b>\$ 2.95</b>	<b>\$ 2.95</b>	<b>\$ 3.15</b>	<b>\$ 3.15</b>	<b>\$ 3.15</b>	<b>\$ 2.90</b>	<b>\$ 2.90</b>	<b>\$ 2.90</b>
<u>Assessed Valuation</u>										
Real and Personal	\$ 36,346,147	\$ 49,255,299	\$ 50,460,623	\$ 52,759,038	\$ 55,172,834	\$ 56,950,807	\$ 58,234,375	\$ 81,756,715	\$ 82,755,871	\$ 84,601,309
Public Utilities	5,104,991	6,364,176	5,964,714	6,394,561	6,533,671	7,019,834	6,712,412	7,594,598	6,850,824	7,322,794
<b>Total Assessed Valuation</b>	<b>\$ 41,451,138</b>	<b>\$ 55,619,475</b>	<b>\$ 56,425,337</b>	<b>\$ 59,153,599</b>	<b>\$ 61,706,505</b>	<b>\$ 63,970,641</b>	<b>\$ 64,946,787</b>	<b>\$ 89,351,313</b>	<b>\$ 89,606,695</b>	<b>\$ 91,924,103</b>

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**SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

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

January 20, 2006

Houston County Mayor and  
Board of County Commissioners  
Houston County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Houston County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Houston County's basic financial statements and have issued our report thereon dated January 20, 2006. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Houston County Emergency Communications District which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Houston County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable

conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Houston County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.02, 05.03(B), 05.04, 05.05, 05.06, 05.08(A,B), 05.10, and 05.11.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houston County's 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03(A), 05.07, 05.08(C), and 05.09.

We have also noted certain other matters that we reported to the management of Houston County in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, management, 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.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 20, 2006

Houston County Mayor and  
Board of County Commissioners  
Houston County, Tennessee

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Houston County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Houston County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Houston County's management. Our responsibility is to express an opinion on Houston County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Houston County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Houston County's compliance with those requirements.

In our opinion, Houston County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of Houston County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Houston County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

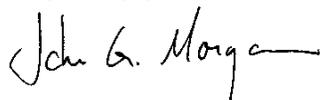
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Houston County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated January 20, 2006. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Houston County Emergency Communications District which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, 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.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rd

Houston County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2005

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	\$ 45,911
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	81,594
National School Lunch Program	10.555	N/A	226,253
Total U.S. Department of Agriculture			<u>\$ 353,758</u>
U.S. Department of Interior:			
Passed-through State Wildlife Resources Agency:			
Sport Fish Restoration	15.605	GG-04-10996-00	\$ 36,000
Total U.S. Department of Interior			<u>\$ 36,000</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 312,836
Special Education Cluster:			
Special Education-Grants to States	84.027	N/A	291,219
Special Education - Preschool Grants	84.173	N/A	13,374
Vocational Education-Basic Grants to States	84.048	N/A	32,337
Safe and Drug-Free Schools and Communities-State Grants	84.186	(2)	11,459
State Grants for Innovative Programs	84.298	N/A	7,126
Education Technology State Grants	84.318	(2)	9,754
Rural Education	84.358	N/A	15,557
Improving Teacher Quality State Grants	84.367	N/A	76,823
Total U.S. Department of Education			<u>\$ 770,485</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017763-00	\$ 3,283 (3)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020108-00	2,954 (3)
Public Assistance Grants	97.036	Z03015802	4,571
Total U.S. Department of Homeland Security			<u>\$ 10,808</u>
Total Expenditures of Federal Awards			<u>\$ 1,171,051</u>

(Continued)

Houston County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont)

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
State Grants:			
Litter Program - State Department of Transportation	N/A	Z05021511	\$ 19,594
Litter Program - State Department of Transportation	N/A	(2)	2,590
Reappraisal Program-Comptroller of the Treasury	N/A	(2)	3,754
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z0502039100	9,000
Library Technology Grants - Secretary of State	N/A	Z05024644	2,400
Youth Center Grant - Mid-Cumberland Community Services Agency	N/A	0401-0001-Youth	30,890
Fingerprint Grant - State Department of Finance and Administration	N/A	Z01098975	13,994
Sport Fish Restoration - State Wildlife Resources Agency	N/A	GG-04-10996-00	12,000
Transportation Enhancement Program (Ferry Operations) - State Department of Transportation	N/A	(2)	7,500
Waste Tire Grant - State Department of Transportation	N/A	Z-03-011293-0	1,329
Waste Tire Grant - State Department of Transportation	N/A	Z-03-011293-01	6,181
Waste Reduction Grant - State Department of Environment and Conservation	N/A	Z-04-018165-00	3,060
Safe Schools Act of 2002- State Department of Education	N/A	(2)	9,287
Total State Grants			<u>\$ 121,579</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total State Domestic Preparedness Equipment Support Program (CFDA # 97.004) from the U.S. Department of Homeland Security \$6,237.

Houston County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Houston County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	142	A formal purchase order system had not been established
04.02	142, 143	The office had deficiencies in its accounting records

**OFFICE OF COUNTY CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.05	144	Collections were not deposited properly

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.06	144	The office had deficiencies in its inmate and commissary accounts
04.07	145	Fees and county revenues were not reported and paid on a current basis

**OTHER FINDINGS AND RECOMMENDATIONS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.08	145	A central system of accounting, budgeting, and purchasing had not been adopted
04.09	145	Duties were not segregated adequately in the Offices of Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

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**HOUSTON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Houston County disclosed reportable conditions in internal controls. None of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Houston County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Houston County did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### OFFICE OF COUNTY MAYOR

**FINDING 05.01      A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Mayor's Office had not established a formal purchase order system. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

### RECOMMENDATION

The office should establish a formal purchase order system to improve internal controls over the purchasing process and to document purchasing commitments.

---

**FINDING 05.02      THE OFFICE HAD ACCOUNTING DEFICIENCIES**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following accounting deficiencies:

- A.      Receivables, payables, and reserves at June 30, 2005, were not properly determined and recorded on the accounting records for funds maintained in the Office of County Mayor. On November 3, 2005, management recorded the June 30, 2005, receivables, payables, and reserves for the various funds to present properly the funds in the financial statements of this report.
  
- B.      Several General Fund expenditures were coded to expenditure accounts that did not reflect the true nature of the expenditures. Misclassifying expenditures diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control. We noted that most of the misclassifications affected accounts within major appropriation categories (the legal level of control); therefore, we did not reclassify the expenditures. However, we do not believe that the financial statements of the General Fund are materially misstated in this report.

RECOMMENDATION

Receivables, payables, and reserves should be properly determined and recorded on the accounting records each June 30. Expenditures should be properly classified in accordance with the Uniform Chart of Accounts.

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FINDING 05.03      **THE OFFICE HAD DEFICIENCIES CONCERNING CONTRIBUTIONS TO TWO NONPROFIT ORGANIZATIONS**  
(A. Noncompliance Under Government Auditing Standards;  
B. Internal Control – Reportable Condition Under Government Auditing Standards)

We noted the following deficiencies concerning contributions to two nonprofit organizations:

- A. The office paid the Stewart Community Center (\$10,000) and the J. D. Lewis Senior Citizens Center (\$6,500) funds for roofing projects. Prior to disbursing the funds, a notice specifying the intended amount and purpose of the appropriations was not published in a newspaper of general circulation as required by Section 5-9-109, Tennessee Code Annotated.
- B. The office did not have any documentation on file as evidence that the contributions were expended by the nonprofit organization in accordance with the county's intended use.

RECOMMENDATION

A notice of the county's intent to make an appropriation to a nonprofit organization should be published prior to the disbursement of funds specifying the intended amount and purpose of the appropriation as required by state statute. In addition, the office should require the recipients to furnish documentation that the funds expended were for the purpose intended.

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FINDING 05.04      **THE AMBULANCE SERVICE DID NOT PREPARE A LISTING OF ACCOUNTS RECEIVABLE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Ambulance Service did not prepare a detailed listing of accounts receivable at June 30, 2005, to support their general ledger accounts receivable account. The Ambulance Service software system is capable of generating an aged accounts receivable report only on a real time or current basis. Management generated an accounts receivable report classified by age on November 3, 2005.

RECOMMENDATION

Management should prepare a detailed accounts receivable listing each June 30 to support their general ledger accounts receivable account.

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**OFFICE OF ROAD SUPERINTENDENT**

**FINDING 05.05**      **PURCHASE ORDERS WERE NOT ISSUED FOR SOME APPLICABLE PURCHASES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 05.06**      **PURCHASE ORDERS WERE NOT PROPERLY ISSUED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment rather than an approval for the purchase.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders before purchases are made.

---

## **OFFICE OF COUNTY CLERK**

### **FINDING 05.07      **COLLECTIONS WERE NOT DEPOSITED INTACT** (Noncompliance Under Government Auditing Standards)**

The county clerk did not deposit collections intact; i.e., funds collected during a specific time period were not deposited together. Instead, the clerk deposited even amounts of cash, did not maintain a set amount of cash on hand, and deposited checks randomly. Because the clerk used this method of depositing collections, we could not trace all collections to deposits and could not determine if funds were deposited to the office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated.

### **RECOMMENDATION**

To strengthen internal controls over cash collections and deposits, the county clerk should deposit all collections intact.

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## **OFFICE OF SHERIFF**

### **FINDING 05.08      **THE OFFICE HAD DEFICIENCIES IN ITS INMATE AND COMMISSARY ACCOUNTS** (A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)**

Our audit revealed the following deficiencies:

- A. Bank statements were not reconciled with inmate and commissary general ledger accounts, and lists of outstanding checks were not prepared monthly. Management reconciled the bank statements and prepared lists of outstanding checks subsequent to June 30, 2005; however, errors discovered were not corrected but were carried as reconciling items.
- B. Accounting records for the inmate and commissary accounts did not balance. Management had not attempted to identify and correct the accounting errors.
- C. The office did not calculate and remit the profits earned from the commissary operations to the county. The state attorney general opined in November 1989 that profits earned from commissary operations are local revenues and should be administered as any other local revenues. Section 5-9-401, Tennessee Code Annotated, requires all county funds from whatever source to be appropriated by the County Commission.

RECOMMENDATION

The office should reconcile bank statements with general ledger controls and prepare accurate lists of outstanding checks monthly. All accounting records should be balanced, and any posting errors should be identified and promptly corrected. Profits generated from the operation of the jail commissary should be remitted to the county monthly.

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FINDING 05.09      **FEES AND COUNTY REVENUES WERE NOT REPORTED AND PAID ON A CURRENT BASIS**  
(Noncompliance Under Government Auditing Standards)

Fees and county revenues collected in the Sheriff's Office were not reported and paid to the county trustee by the fifteenth day of the month as required by Section 67-4-213, Tennessee Code Annotated. Fees and county revenues collected in the office from March 2005 through May 2005 were remitted to the trustee on June 29, 2005.

RECOMMENDATION

Fees and county revenues should be remitted to the trustee by the fifteenth day of the month as required by state statute.

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**OTHER FINDINGS AND RECOMMENDATIONS**

FINDING 05.10      **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

County officials should consider adopting the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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FINDING 05.11

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF**

(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee; County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, disbursing, and/or reconciling bank statements. We realize that due to limited resources and personnel, management may not be able to segregate properly duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

**PART III, FINDINGS AND QUESTIONED  
COSTS FOR FEDERAL AWARDS**

There were no findings and questioned costs for federal awards.

**HOUSTON COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2005**

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.