

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



**FOR THE YEAR ENDED JUNE 30, 2006**

**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, 2006**

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*Comptroller of the Treasury*

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This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# ***Audit Highlights***

Annual Financial Report  
Houston County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2006.

## ***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 nine findings and recommendations, which we have reviewed with Houston County management. Detailed findings, recommendations, and management's response 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 county entered into a lease-purchase agreement for four Sheriff's Department vehicles without the prior approval of the County Commission.
- 

### **OFFICE OF ROAD SUPERINTENDENT**

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

### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Appropriations exceeded estimated available funds in the School Federal Projects Fund.
-

## **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 GENERAL SESSIONS COURT CLERK**

- ◆ The office did not prepare and file an annual financial report with the county mayor and county clerk.
- 

## **OFFICE OF SHERIFF**

- ◆ Profits from the commissary operations were not remitted to the county on a monthly basis.
- 

## **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, 2006

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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, General Sessions, and Juvenile Courts Clerk  
Patsy Brooks, Clerk and Master  
Sherrill Moore, Register  
Kenneth Barnes, Sheriff

**Board of County Commissioners**

George Clark, Chairman	James Fussell
Harry Batten, Chairman Pro-Tem	Steve Hall
Charles Arnold, Jr.	Darrell Kingsmill
Phil Averitt	Donnie Lewis
Sammie J. Bass, Jr.	Chris Selph
Nelda Ellingson	Larry Sykes
Ray Elliott	James Van Fleet
Randall French	

**Budget Committee**

Harry Batten, Chairman  
Charles Arnold, Jr.  
Sammie J. Bass, Jr.  
Nelda Ellingson  
Randall French  
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**

October 12, 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, 2006, 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 had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units referred to above do not include the financial statements of 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 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 respective financial position 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 June 30, 2006, 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 October 12, 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.

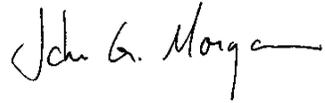
The management of Houston County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 51 through 57 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), and miscellaneous schedules 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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## **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Houston County, Tennessee  
Statement of Net Assets  
June 30, 2006

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Houston County School Department</u>
<u>ASSETS</u>		
Cash	\$ 13,684	\$ 0
Equity in Pooled Cash and Investments	2,544,454	1,763,735
Accounts Receivable	60,461	0
Due from Other Governments	345,961	282,847
Due from Component Unit	182	0
Accrued Interest Receivable	0	86,299
Cash Shortage	3,479	0
Property Taxes Receivable	2,313,882	695,348
Allowance for Uncollectible Property Taxes	(59,469)	(17,887)
Capital Assets:		
Assets Not Depreciated:		
Land	682,888	330,020
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,149,280	9,166,107
Infrastructure	138,475	0
Other Capital Assets	1,901,542	1,137,804
Total Assets	<u>\$ 10,094,819</u>	<u>\$ 13,444,273</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 13,235	\$ 28,764
Payroll Deductions Payable	0	51,935
Contracts Payable	81,491	0
Accrued Interest Payable	15,775	226
Deferred Revenue - Current Property Taxes	2,068,173	621,380
Noncurrent Liabilities:		
Due Within One Year	551,099	2,500
Due in More Than One Year	12,662,282	25,000
Total Liabilities	<u>\$ 15,392,055</u>	<u>\$ 729,805</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,329,793	\$ 10,606,431
Restricted for:		
Capital Projects	4,644	0
Debt Service	1,200,847	0
Highway/Public Works	450,678	0
Solid Waste/Sanitation	347,562	0
Other Purposes	68,835	430,230
Unrestricted	(8,699,595)	1,677,807
Total Net Assets	<u>\$ (5,297,236)</u>	<u>\$ 12,714,468</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, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
					Total	Houston
					Governmental	County
					Activities	School
						Department
Primary Government:						
Governmental Activities:						
General Government	\$ 548,158	\$ 63,551	\$ 16,380	\$ 91,469	\$ (376,758)	\$ 0
Finance	297,061	180,234	18,996	0	(97,831)	0
Administration of Justice	269,138	104,952	9,000	0	(155,186)	0
Public Safety	1,303,470	135,498	68,132	0	(1,099,840)	0
Public Health and Welfare	997,044	404,408	42,664	7,500	(542,472)	0
Social, Cultural, and Recreational Services	117,951	1,000	9,000	0	(107,951)	0
Agriculture & Natural Resources	43,496	0	0	0	(43,496)	0
Other Operations	340,881	63,076	2,600	151,746	(123,459)	0
Highway/Public Works	1,741,385	40,246	1,260,337	190,291	(250,511)	0
Interest on Long-term Debt	468,975	0	0	0	(468,975)	0
Other Debt Service	10,696	0	400,000	0	389,304	0
Total Primary Government	\$ 6,138,255	\$ 992,965	\$ 1,827,109	\$ 441,006	\$ (2,877,175)	\$ 0
Component Unit:						
Houston County School Department	\$ 9,565,742	\$ 364,919	\$ 1,149,848	\$ 0	\$ 0	\$ (8,050,975)
Total Component Unit	\$ 9,565,742	\$ 364,919	\$ 1,149,848	\$ 0	\$ 0	\$ (8,050,975)

(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					\$ 1,886,430	\$ 625,901
Property taxes levied for debt service					195,620	0
Local option sales tax					76,570	452,061
Other local taxes					381,233	25,440
Grants & contributions not restricted for specific programs					132,778	6,912,789
Unrestricted investment earnings					0	169,671
Miscellaneous					45,341	47,032
Total General Revenues					<u>\$ 2,717,972</u>	<u>\$ 8,232,894</u>
Change in Net Assets					\$ (159,203)	\$ 181,919
Net Assets, July 1, 2005					<u>(5,138,033)</u>	<u>12,532,549</u>
Net Assets, June 30, 2006					<u><u>\$ (5,297,236)</u></u>	<u><u>\$ 12,714,468</u></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, 2006

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,684	\$ 13,684
Equity in Pooled Cash and Investments	775,596	318,163	253,033	1,189,325	8,337	2,544,454
Accounts Receivable	47,398	0	4,418	8,355	290	60,461
Due from Other Governments	49,407	8,384	206,551	128	81,491	345,961
Due from Other Funds	761	0	0	0	0	761
Due from Component Units	0	0	182	0	0	182
Property Taxes Receivable	1,857,721	228,323	10,378	217,460	0	2,313,882
Allowance for Uncollectible Property Taxes	(47,789)	(5,873)	(267)	(5,540)	0	(59,469)
Cash Shortage	879	2,600	0	0	0	3,479
<b>Total Assets</b>	<b>\$ 2,683,973</b>	<b>\$ 551,597</b>	<b>\$ 474,295</b>	<b>\$ 1,409,728</b>	<b>\$ 103,802</b>	<b>\$ 5,223,395</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 5,367	\$ 0	\$ 7,868	\$ 0	\$ 0	\$ 13,235
Contracts Payable	0	0	0	0	81,491	81,491
Due to Other Funds	0	0	0	0	761	761
Deferred Revenue - Current Property Taxes	1,660,103	204,035	9,274	194,761	0	2,068,173
Deferred Revenue - Delinquent Property Taxes	138,995	17,083	777	15,888	0	172,743
Other Deferred Revenues	15,232	8,384	100,756	0	0	124,372
<b>Total Liabilities</b>	<b>\$ 1,819,697</b>	<b>\$ 229,502</b>	<b>\$ 118,675</b>	<b>\$ 210,649</b>	<b>\$ 82,252</b>	<b>\$ 2,460,775</b>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 395,285	\$ 395,285
Reserved for Alcohol and Drug Treatment	10,941	0	0	0	0	10,941
Reserved for Sexual Offender Registration	2,080	0	0	0	0	2,080
Reserved for Computer System - Register	9,837	0	0	0	0	9,837
Reserved for Automation Purposes - Circuit Court	137	0	0	0	0	137
Reserved for Automation Purposes - General Sessions Court	2,017	0	0	0	0	2,017
Reserved for Automation Purposes - Juvenile Court	190	0	0	0	0	190
Reserved for Capital Outlay	39,940	0	0	0	0	39,940

(Continued)

Exhibit C-1

Houston County, Tennessee  
Balance Sheet  
Governmental Funds (Cont.)

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In:

	Major Funds				Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
General Fund	\$ 799,134	\$ 0	\$ 0	\$ 0	\$ 0	\$ 799,134
Special Revenue Funds	0	322,095	355,620	0	16,906	694,621
Debt Service Funds	0	0	0	1,199,079	0	1,199,079
Capital Projects Funds (Deficit)	0	0	0	0	(390,641)	(390,641)
<b>Total Fund Balances</b>	<b>\$ 864,276</b>	<b>\$ 322,095</b>	<b>\$ 355,620</b>	<b>\$ 1,199,079</b>	<b>\$ 21,550</b>	<b>\$ 2,762,620</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,683,973</b>	<b>\$ 551,597</b>	<b>\$ 474,295</b>	<b>\$ 1,409,728</b>	<b>\$ 103,802</b>	<b>\$ 5,223,395</b>

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

Exhibit C-2

Houston County, Tennessee

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2006

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)		\$	2,762,620
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	682,888	
Add: buildings and improvements net of accumulated depreciation		2,149,280	
Add: infrastructure net of accumulated depreciation		138,475	
Add: other capital assets net of accumulated depreciation		<u>1,901,542</u>	4,872,185
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			297,115
(3) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: notes payable	\$	(558,177)	
Less: other loans payable		(11,690,200)	
Less: capital leases payable		(97,742)	
Less: bonds payable		(293,273)	
Less: compensated absences payable		(6,475)	
Less: landfill closure/postclosure care costs		(567,514)	
Less: accrued interest on notes, capital leases, and bonds		<u>(15,775)</u>	<u>(13,229,156)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ (5,297,236)</u>

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

Exhibit C-3

Houston County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
<b>Revenues</b>						
Local Taxes	\$ 1,777,636	\$ 236,924	\$ 9,447	\$ 512,146	\$ 0	\$ 2,536,153
Fines, Forfeitures, and Penalties	28,212	0	0	0	1,972	30,184
Charges for Current Services	631,866	0	0	0	48,010	679,876
Other Local Revenues	53,727	9,517	64,106	17	0	127,367
Fees Received from County Officials	253,842	0	0	0	0	253,842
State of Tennessee	178,243	91,702	1,477,969	75,416	0	1,823,330
Federal Government	91,469	0	0	0	143,989	235,458
Other Governments and Citizens Groups	57,682	0	0	407,500	26,774	491,956
<b>Total Revenues</b>	<b>\$ 3,072,677</b>	<b>\$ 338,143</b>	<b>\$ 1,551,522</b>	<b>\$ 995,079</b>	<b>\$ 220,745</b>	<b>\$ 6,178,166</b>
<b>Expenditures</b>						
Current:						
General Government	\$ 508,245	\$ 0	\$ 0	\$ 0	\$ 0	\$ 508,245
Finance	243,756	0	0	0	46,383	290,139
Administration of Justice	264,042	0	0	0	0	264,042
Public Safety	1,102,476	0	0	0	1,000	1,103,476
Public Health and Welfare	618,051	235,110	0	0	0	853,161
Social, Cultural, and Recreational Services	194,106	0	0	0	0	194,106
Agricultural and Natural Resources	39,760	0	0	0	0	39,760
Other Operations	215,551	7,939	0	0	195,735	419,225
Highways	0	0	1,786,690	0	0	1,786,690
Debt Service:						
Principal on Debt	50,508	0	0	575,121	0	625,629
Interest on Debt	2,346	0	0	459,417	0	461,763
Other Debt Service	0	0	0	10,696	0	10,696
Capital Projects	190,404	0	0	0	69,731	260,135
<b>Total Expenditures</b>	<b>\$ 3,429,245</b>	<b>\$ 243,049</b>	<b>\$ 1,786,690</b>	<b>\$ 1,045,234</b>	<b>\$ 312,849</b>	<b>\$ 6,817,067</b>
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (356,568)	\$ 95,094	\$ (235,168)	\$ (50,155)	\$ (92,104)	\$ (638,901)
<b>Other Financing Sources (Uses)</b>						
Notes Issued	\$ 221,000	\$ 0	\$ 0	\$ 100,000	\$ 0	\$ 321,000
Capital Leases Issued	100,380	0	0	0	0	100,380
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 321,380</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 100,000</b>	<b>\$ 0</b>	<b>\$ 421,380</b>

Exhibit C-3

Houston County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds (Cont.)

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
Net Change in Fund Balances	\$ (35,188)	\$ 95,094	\$ (235,168)	\$ 49,845	\$ (92,104)	\$ (217,521)
Fund Balance, July 1, 2005	899,464	227,001	590,788	1,149,234	113,654	2,980,141
Fund Balance, June 30, 2006	\$ 864,276	\$ 322,095	\$ 355,620	\$ 1,199,079	\$ 21,550	\$ 2,762,620

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, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (217,521)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differs from depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 378,762	
Less: current year depreciation expense	<u>(334,360)</u>	44,402
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 297,115	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(496,229)</u>	(199,114)
(3) The issuance of long-term debt (e.g. notes, capital leases) 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.		
Less: note proceeds	\$ (321,000)	
Less: capital lease proceeds	(100,380)	
Add: principal payments on notes	200,427	
Add: principal payments on other loans	352,000	
Add: principal payments on capital leases	50,508	
Add: principal payments on bonds	<u>22,694</u>	204,249
(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.		
Change in accrued interest payable	\$ (7,212)	
Change in compensated absences	(1,593)	
Change in landfill closure/postclosure care costs	<u>17,586</u>	<u>8,781</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (159,203)</u>

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

Exhibit D

Houston County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 169,456
Investments	586
Accounts Receivable	18
Due from Other Governments	<u>68,774</u>
Total Assets	<u><u>\$ 238,834</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 68,774
Due to Litigants, Heirs, and Others	<u>170,060</u>
Total Liabilities	<u><u>\$ 238,834</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, 2006**

**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 Houston County 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 Houston County 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. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. 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.

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, except for agency funds which have no measurement focus. 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 (except for agency funds which have no 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.

**Solid Waste/Sanitation Fund** – This fund is used to account for transactions related to the garbage collection and convenience center operations.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 1.4 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	25-40 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, 2006, Houston County had \$9,097,000 in 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 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide statement of net assets.

Discretely Presented Houston County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide statement of net assets.

**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 C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the changes in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Houston County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

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

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers – Fees Fund (special revenue fund) which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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, County Mayor, County Attorney, 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 (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**B. Fund Deficit**

The Other Capital Projects Fund had a fund deficit of \$395,285 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$395,285 being reserved as encumbrances. These future expenditures will be funded from a Community Development Block Grant.

**C. 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, 2006. 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, 2006, 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, held in the Circuit Court Clerk's Office, and reported in the Constitutional Officers – Agency Fund.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
AIM Aggressive Growth Fund	On Demand	<u>\$ 586</u>

**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, 2006, was as follows:

Primary Government

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 677,888	\$ 5,000	\$ 0	\$ 682,888
Total Capital Assets Not Depreciated	<u>\$ 677,888</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ 682,888</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,820,627	\$ 16,975	\$ 0	\$ 2,837,602
Infrastructure	66,777	77,395	0	144,172
Other Capital Assets	3,680,766	279,392	(55,000)	3,905,158
Total Capital Assets Depreciated	<u>\$ 6,568,170</u>	<u>\$ 373,762</u>	<u>\$ (55,000)</u>	<u>\$ 6,886,932</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 624,000	\$ 64,322	\$ 0	\$ 688,322
Infrastructure	1,774	3,923	0	5,697
Other Capital Assets	1,792,501	266,115	(55,000)	2,003,616
Total Accumulated Depreciation	<u>\$ 2,418,275</u>	<u>\$ 334,360</u>	<u>\$ (55,000)</u>	<u>\$ 2,697,635</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,149,895</u>	<u>\$ 39,402</u>	<u>\$ 0</u>	<u>\$ 4,189,297</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,827,783</u>	<u>\$ 44,402</u>	<u>\$ 0</u>	<u>\$ 4,872,185</u>

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		169,080
Public Health and Welfare		60,787
Social, Cultural, and Recreational Services		13,060
Agriculture and Natural Resources		3,725
Highway/Public Works		<u>57,997</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$</u>	 <u>334,360</u>

Discretely Presented Houston County School Department

**Governmental Activities:**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 330,020	\$ 0	\$ 330,020
Total Capital Assets Not Depreciated	<u>\$ 330,020</u>	<u>\$ 0</u>	<u>\$ 330,020</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 13,671,395	\$ 22,000	\$ 13,693,395
Other Capital Assets	2,012,191	78,965	2,091,156
Total Capital Assets Depreciated	<u>\$ 15,683,586</u>	<u>\$ 100,965</u>	<u>\$ 15,784,551</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 4,220,152	\$ 307,136	\$ 4,527,288
Other Capital Assets	804,951	148,401	953,352
Total Accumulated Depreciation	<u>\$ 5,025,103</u>	<u>\$ 455,537</u>	<u>\$ 5,480,640</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,658,483</u>	<u>\$ (354,572)</u>	<u>\$ 10,303,911</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,988,503</u>	<u>\$ (354,572)</u>	<u>\$ 10,633,931</u>

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

Governmental Activities:

Instruction	\$ 218,848
Support Services	208,823
Operation of Non-Instructional Services	<u>27,866</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 455,537</u></u>

**C. Construction Commitments**

At June 30, 2006, the Other Capital Projects Fund had uncompleted construction contracts of approximately \$395,285 for water line construction. Funding for these future expenditures will be received from Community Development Block Grant funds.

**D. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 761

This balance 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.

**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.

On January 31, 2006, Houston County entered into a three-year lease-purchase agreement for patrol cars. The terms of the agreement require total lease payments of \$100,380 plus interest of 5.5 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, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 52,853
2008	27,145
2009	27,145
Total Minimum Lease Payments	\$ 107,143
Amounts Representing Interest	(9,401)
Present Value of Minimum Lease Payments	<u>\$ 97,742</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, 2006, 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, 2006, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-06</u>
General Obligation Bonds	4 to 5 %	\$ 606,500	\$ 293,273
Capital Outlay Notes	0 to 5.95	769,438	558,177
Other Loans	variable	13,016,200	11,690,200
Capital Leases	4.9 to 5.5	196,231	97,742

In prior years, Houston County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$12,800,000 to Houston County and 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, 2006, 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, 2006, the variable interest rate was 3.52 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, 2006, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 23,015	\$ 13,853	\$ 92,136	\$ 25,066
2008	23,339	12,729	80,985	21,189
2009	23,679	11,590	235,309	17,441
2010	24,034	10,434	41,274	7,301
2011	24,405	9,263	37,524	4,800
2012-2016	132,230	28,011	70,949	7,461
2017-2018	42,571	2,077	0	0
Total	\$ 293,273	\$ 87,957	\$ 558,177	\$ 83,258

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2007	\$ 368,000	\$ 411,495	\$ 61,441	\$ 840,936
2008	387,000	398,541	59,520	845,061
2009	406,000	384,919	57,499	848,418
2010	424,200	370,628	55,380	850,208
2011	410,000	355,696	53,164	818,860
2012-2016	2,378,000	1,547,005	231,233	4,156,238
2017-2021	3,037,000	1,084,406	162,110	4,283,516
2022-2026	3,604,000	498,362	74,550	4,176,912
2027	676,000	23,795	3,583	703,378
Total	\$ 11,690,200	\$ 5,074,847	\$ 758,480	\$ 17,523,527

A balloon payment of \$184,167 has been reflected in the note schedule for the year ended June 30, 2009. It is management's intent to extend the maturity of this note another three years. State law requires that one-ninth of the note principal be retired each year.

There is \$1,199,079 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$36, based on the 2000 federal census. Total debt per capita, including bonds, notes, other loans, and capital leases amounted to \$1,563, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:  
Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2005	\$ 315,967	\$ 437,604	\$ 47,870
Additions	0	321,000	100,380
Deductions	(22,694)	(200,427)	(50,508)
Balance, June 30, 2006	<u>\$ 293,273</u>	<u>\$ 558,177</u>	<u>\$ 97,742</u>
Balance Due Within One Year	<u>\$ 23,015</u>	<u>\$ 92,136</u>	<u>\$ 47,624</u>

	Other Loans	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2005	\$ 12,042,200	\$ 4,882	\$ 585,100
Additions	0	11,917	0
Deductions	(352,000)	(10,324)	(17,586)
Balance, June 30, 2006	<u>\$ 11,690,200</u>	<u>\$ 6,475</u>	<u>\$ 567,514</u>
Balance Due Within One Year	<u>\$ 368,000</u>	<u>\$ 324</u>	<u>\$ 20,000</u>

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

Analysis of noncurrent liabilities presented on Exhibit A:

Total noncurrent liabilities, June 30, 2006	\$ 13,213,381
Less: Balance due within one year	<u>(551,099)</u>
Noncurrent liabilities - due in more than one year - Exhibit A	<u>\$ 12,662,282</u>

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, 2006, was as follows:

Governmental Activities:

	<u>Notes</u>
Balance, July 1, 2005	\$ 46,666
Additions	0
Deductions	<u>(19,166)</u>
Balance, June 30, 2006	<u>\$ 27,500</u>
Balance Due Within One Year	<u>\$ 2,500</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 Changes**

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments

may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Houston County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Houston County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Houston County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Houston County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Houston County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Houston County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

### **C. Subsequent Events**

On August 31, 2006, Gary Booker left the Office of Road Superintendent and was succeeded by Jimmy Felts, Annette Baggett left the Office of Trustee and was succeeded by Jimmy Lowery, and Cora Sue McMillan left the Office of

Circuit and General Sessions Courts Clerk and was succeeded by Sharon Tomlinson.

**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 \$567,514 reported as postclosure care liability at June 30, 2006, 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, 2006.

**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 SETHEEPP. 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 the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, 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, 2006, 2005, and 2004, were \$242,712, \$248,490, and \$144,517, 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 (TCA), 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, TCA (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 County Commission. 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, TCA, 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 \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,777,636	\$ 1,830,800	\$ 1,833,800	\$ (56,164)
Fines, Forfeitures, and Penalties	28,212	31,500	31,500	(3,288)
Charges for Current Services	631,866	450,613	455,413	176,453
Other Local Revenues	53,727	27,600	34,401	19,326
Fees Received from County Officials	253,842	228,500	225,500	28,342
State of Tennessee	178,243	150,037	229,944	(51,701)
Federal Government	91,469	30,045	88,545	2,924
Other Governments and Citizens Groups	57,682	54,000	55,600	2,082
<b>Total Revenues</b>	<b>\$ 3,072,677</b>	<b>\$ 2,803,095</b>	<b>\$ 2,954,703</b>	<b>\$ 117,974</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 27,124	\$ 36,190	\$ 36,190	\$ 9,066
Board of Equalization	850	1,724	1,724	874
Budget and Finance Committee	4,230	4,228	4,234	4
County Mayor/Executive	121,346	129,866	134,160	12,814
County Attorney	16,674	16,674	16,674	0
Election Commission	172,868	103,915	219,515	46,647
Register of Deeds	76,155	85,510	85,510	9,355
Building	2,300	6,500	6,500	4,200
County Buildings	61,127	66,291	66,291	5,164
Other General Administration	20,992	22,000	22,000	1,008
Preservation of Records	4,579	0	6,000	1,421
<u>Finance</u>				
Central Services	9,232	8,745	9,445	213
Property Assessor's Office	73,470	74,535	74,535	1,065
Reappraisal Program	5,729	9,345	9,345	3,616
County Trustee's Office	83,836	95,417	95,417	11,581
County Clerk's Office	71,489	80,943	81,193	9,704
<u>Administration of Justice</u>				
Circuit Court	97,137	109,335	109,335	12,198
General Sessions Judge	42,852	43,564	43,564	712
Chancery Court	71,343	71,914	71,914	571
Juvenile Court	37,650	43,648	43,648	5,998
District Attorney General	2,585	2,585	2,585	0
Judicial Commissioners	12,475	12,700	12,700	225
<u>Public Safety</u>				
Sheriff's Department	458,202	429,258	481,195	22,993
Drug Enforcement	2,185	3,000	3,000	815
Jail	397,135	394,203	423,846	26,711
Fire Prevention and Control	62,879	16,000	147,268	84,389
Civil Defense	24,920	28,343	28,343	3,423
Other Emergency Management	139,586	141,550	141,551	1,965

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
County Coroner/Medical Examiner	\$ 17,569	\$ 12,070	\$ 19,070	\$ 1,501
<u>Public Health and Welfare</u>				
Local Health Center	29,788	31,047	31,047	1,259
Ambulance/Emergency Medical Services	551,698	579,769	579,790	28,092
Other Local Health Services	7,409	10,900	10,900	3,491
Sanitation Education/Information	29,156	29,237	29,237	81
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	43,690	43,690	43,690	0
Libraries	105,516	107,351	107,352	1,836
Other Social, Cultural, and Recreational	44,900	44,400	44,900	0
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	29,377	30,598	30,598	1,221
Soil Conservation	10,383	11,018	11,018	635
<u>Other Operations</u>				
Tourism	15,109	15,500	17,725	2,616
Other Economic and Community Development	60,926	78,065	78,065	17,139
Airport	5,575	21,100	21,100	15,525
Veterans' Services	2,473	1,730	2,481	8
Other Charges	5,551	0	6,400	849
Contributions to Other Agencies	1,000	0	1,000	0
Employee Benefits	26,602	42,000	35,000	8,398
Payments to Cities	6,216	9,500	9,500	3,284
Miscellaneous	92,099	107,000	108,655	16,556
<u>Principal on Debt</u>				
General Government	50,508	412,500	463,643	413,135
<u>Interest on Debt</u>				
General Government	2,346	0	2,500	154
<u>Capital Projects</u>				
General Administration Projects	344	2,000	2,000	1,656
Public Utility Projects	9,000	9,000	9,000	0
Other General Government Projects	181,060	231,000	225,000	43,940
Total Expenditures	<u>\$ 3,429,245</u>	<u>\$ 3,867,458</u>	<u>\$ 4,267,353</u>	<u>\$ 838,108</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (356,568)	\$ (1,064,363)	\$ (1,312,650)	\$ 956,082
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 221,000	\$ 621,000	\$ 621,000	\$ (400,000)
Capital Leases Issued	100,380	0	100,380	0
Total Other Financing Sources (Uses)	<u>\$ 321,380</u>	<u>\$ 621,000</u>	<u>\$ 721,380</u>	<u>\$ (400,000)</u>

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ (35,188)	\$ (443,363)	\$ (591,270)	\$ 556,082
Fund Balance, July 1, 2005	899,464	813,743	813,743	85,721
Fund Balance, June 30, 2006	\$ 864,276	\$ 370,380	\$ 222,473	\$ 641,803

Exhibit E-2

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 236,924	\$ 240,750	\$ 240,750	\$ (3,826)
Charges for Current Services	0	1,000	1,000	(1,000)
Other Local Revenues	9,517	0	0	9,517
State of Tennessee	91,702	46,200	46,200	45,502
Total Revenues	<u>\$ 338,143</u>	<u>\$ 287,950</u>	<u>\$ 287,950</u>	<u>\$ 50,193</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 232,255	\$ 248,005	\$ 266,705	\$ 34,450
Landfill Operation and Maintenance	2,855	10,825	10,825	7,970
<u>Other Operations</u>				
Other Charges	4,939	5,500	5,500	561
Employee Benefits	3,000	13,000	6,000	3,000
<u>Principal on Debt</u>				
General Government	0	150,000	150,000	150,000
<u>Interest on Debt</u>				
General Government	0	4,700	0	0
Total Expenditures	<u>\$ 243,049</u>	<u>\$ 432,030</u>	<u>\$ 439,030</u>	<u>\$ 195,981</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 95,094</u>	<u>\$ (144,080)</u>	<u>\$ (151,080)</u>	<u>\$ 246,174</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	\$ 95,094	\$ 5,920	\$ (1,080)	\$ 96,174
Fund Balance, July 1, 2005	<u>227,001</u>	<u>217,511</u>	<u>217,511</u>	<u>9,490</u>
Fund Balance, June 30, 2006	<u>\$ 322,095</u>	<u>\$ 223,431</u>	<u>\$ 216,431</u>	<u>\$ 105,664</u>

Exhibit E-3

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 9,447	\$ 23,070	\$ 23,070	\$ (13,623)
Fines, Forfeitures, and Penalties	0	200	200	(200)
Other Local Revenues	64,106	26,000	65,174	(1,068)
State of Tennessee	1,477,969	1,477,234	1,477,234	735
Total Revenues	<u>\$ 1,551,522</u>	<u>\$ 1,526,504</u>	<u>\$ 1,565,678</u>	<u>\$ (14,156)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 107,389	\$ 114,514	\$ 114,514	\$ 7,125
Highway and Bridge Maintenance	808,704	804,300	852,300	43,596
Operation and Maintenance of Equipment	298,189	252,800	351,574	53,385
Other Charges	39,551	53,280	53,280	13,729
Employee Benefits	158,788	190,700	190,700	31,912
Capital Outlay	374,069	514,000	514,000	139,931
Total Expenditures	<u>\$ 1,786,690</u>	<u>\$ 1,929,594</u>	<u>\$ 2,076,368</u>	<u>\$ 289,678</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (235,168)</u>	<u>\$ (403,090)</u>	<u>\$ (510,690)</u>	<u>\$ 275,522</u>
Net Change in Fund Balance	\$ (235,168)	\$ (403,090)	\$ (510,690)	\$ 275,522
Fund Balance, July 1, 2005	<u>590,788</u>	<u>524,823</u>	<u>524,823</u>	<u>65,965</u>
Fund Balance, June 30, 2006	<u>\$ 355,620</u>	<u>\$ 121,733</u>	<u>\$ 14,133</u>	<u>\$ 341,487</u>

**HOUSTON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**A. 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 Houston 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 Houston 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. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**B. 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, 2006. 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.

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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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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.

---

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.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for grant proceeds received for water line construction for the City of Erin.

Exhibit F-1

Houston County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitu - tional Officers - Fees</u>	<u>Total</u>	<u>General Capital Projects</u>	<u>Other Capital Projects</u>	<u>Total</u>	
<u>ASSETS</u>							
Cash	\$ 0	\$ 13,684	\$ 13,684	\$ 0	\$ 0	\$ 0	13,684
Equity in Pooled Cash and Investments	3,693	0	3,693	4,644	0	4,644	8,337
Accounts Receivable	0	290	290	0	0	0	290
Due from Other Governments	0	0	0	0	81,491	81,491	81,491
<b>Total Assets</b>	<b>\$ 3,693</b>	<b>\$ 13,974</b>	<b>\$ 17,667</b>	<b>\$ 4,644</b>	<b>\$ 81,491</b>	<b>\$ 86,135</b>	<b>\$ 103,802</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Contracts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,491	\$ 81,491	81,491
Due to Other Funds	0	761	761	0	0	0	761
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 761</b>	<b>\$ 761</b>	<b>\$ 0</b>	<b>\$ 81,491</b>	<b>\$ 81,491</b>	<b>\$ 82,252</b>
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 395,285	\$ 395,285	395,285
Unreserved (Deficit)	3,693	13,213	16,906	4,644	(395,285)	(390,641)	(373,735)
<b>Total Fund Balances</b>	<b>\$ 3,693</b>	<b>\$ 13,213</b>	<b>\$ 16,906</b>	<b>\$ 4,644</b>	<b>\$ 0</b>	<b>\$ 4,644</b>	<b>\$ 21,550</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,693</b>	<b>\$ 13,974</b>	<b>\$ 17,667</b>	<b>\$ 4,644</b>	<b>\$ 81,491</b>	<b>\$ 86,135</b>	<b>\$ 103,802</b>

Exhibit F-2

Houston County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 1,972	\$ 0	\$ 1,972	\$ 0	\$ 0	\$ 0	\$ 1,972
Charges for Current Services	0	48,010	48,010	0	0	0	48,010
Federal Government	0	0	0	0	143,989	143,989	143,989
Other Governments and Citizens Groups	0	0	0	0	26,774	26,774	26,774
<b>Total Revenues</b>	<b>\$ 1,972</b>	<b>\$ 48,010</b>	<b>\$ 49,982</b>	<b>\$ 0</b>	<b>\$ 170,763</b>	<b>\$ 170,763</b>	<b>\$ 220,745</b>
<u>Expenditures</u>							
Current:							
Finance	\$ 0	\$ 46,383	\$ 46,383	\$ 0	\$ 0	\$ 0	\$ 46,383
Public Safety	1,000	0	1,000	0	0	0	1,000
Other Operations	0	0	0	24,972	170,763	195,735	195,735
Capital Projects	0	0	0	69,731	0	69,731	69,731
<b>Total Expenditures</b>	<b>\$ 1,000</b>	<b>\$ 46,383</b>	<b>\$ 47,383</b>	<b>\$ 94,703</b>	<b>\$ 170,763</b>	<b>\$ 265,466</b>	<b>\$ 312,849</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 972	\$ 1,627	\$ 2,599	\$ (94,703)	\$ 0	\$ (94,703)	\$ (92,104)
Net Change in Fund Balances	\$ 972	\$ 1,627	\$ 2,599	\$ (94,703)	\$ 0	\$ (94,703)	\$ (92,104)
Fund Balance, July 1, 2005	2,721	11,586	14,307	99,347	0	99,347	113,654
<b>Fund Balance, June 30, 2006</b>	<b>\$ 3,693</b>	<b>\$ 13,213</b>	<b>\$ 16,906</b>	<b>\$ 4,644</b>	<b>\$ 0</b>	<b>\$ 4,644</b>	<b>\$ 21,550</b>

Exhibit F-3

Houston County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 1,972	\$ 1,000	\$ 1,000	\$ 972
Total Revenues	\$ 1,972	\$ 1,000	\$ 1,000	\$ 972
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 1,000	\$ 1,000	\$ 2,000	\$ 1,000
Total Expenditures	\$ 1,000	\$ 1,000	\$ 2,000	\$ 1,000
Excess (Deficiency) of Revenues Over Expenditures	\$ 972	\$ 0	\$ (1,000)	\$ 1,972
Net Change in Fund Balance	\$ 972	\$ 0	\$ (1,000)	\$ 1,972
Fund Balance, July 1, 2005	2,721	2,721	2,721	0
Fund Balance, June 30, 2006	\$ 3,693	\$ 2,721	\$ 1,721	\$ 1,972

# **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 G

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 512,146	\$ 464,600	\$ 464,600	\$ 47,546
Charges for Current Services	0	400,000	0	0
Other Local Revenues	17	0	0	17
State of Tennessee	75,416	65,000	65,000	10,416
Other Governments and Citizens Groups	407,500	0	400,000	7,500
Total Revenues	<u>\$ 995,079</u>	<u>\$ 929,600</u>	<u>\$ 929,600</u>	<u>\$ 65,479</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 332,121	\$ 221,350	\$ 333,870	\$ 1,749
Education	243,000	301,000	301,000	58,000
<u>Interest on Debt</u>				
General Government	128,944	158,450	138,906	9,962
Education	330,473	336,240	343,264	12,791
<u>Other Debt Service</u>				
General Government	10,696	7,000	11,500	804
Total Expenditures	<u>\$ 1,045,234</u>	<u>\$ 1,024,040</u>	<u>\$ 1,128,540</u>	<u>\$ 83,306</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (50,155)</u>	<u>\$ (94,440)</u>	<u>\$ (198,940)</u>	<u>\$ 148,785</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 100,000	\$ 0	\$ 100,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 49,845	\$ (94,440)	\$ (98,940)	\$ 148,785
Fund Balance, July 1, 2005	<u>1,149,234</u>	<u>1,117,728</u>	<u>1,117,728</u>	<u>31,506</u>
Fund Balance, June 30, 2006	<u>\$ 1,199,079</u>	<u>\$ 1,023,288</u>	<u>\$ 1,018,788</u>	<u>\$ 180,291</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 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, general sessions, and juvenile courts clerk; clerk and master; register; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Houston County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>		
	Cities -	Constitu- tional	
	Sales	Officers -	
	Tax	Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 169,456	\$ 169,456
Investments	0	586	586
Accounts Receivable	0	18	18
Due from Other Governments	68,774	0	68,774
Total Assets	<u>\$ 68,774</u>	<u>\$ 170,060</u>	<u>\$ 238,834</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 68,774	\$ 0	\$ 68,774
Due to Litigants, Heirs, and Others	0	170,060	170,060
Total Liabilities	<u>\$ 68,774</u>	<u>\$ 170,060</u>	<u>\$ 238,834</u>

Exhibit H-2

Houston County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 368,719	\$ 368,719	\$ 0
Due from Other Governments	63,578	68,774	63,578	68,774
<b>Total Assets</b>	<b>\$ 63,578</b>	<b>\$ 437,493</b>	<b>\$ 432,297</b>	<b>\$ 68,774</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 63,578	\$ 437,493	\$ 432,297	\$ 68,774
<b>Total Liabilities</b>	<b>\$ 63,578</b>	<b>\$ 437,493</b>	<b>\$ 432,297</b>	<b>\$ 68,774</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 238,985	\$ 1,888,739	\$ 1,958,268	\$ 169,456
Investments	539	47	0	586
Accounts Receivable	20	18	20	18
<b>Total Assets</b>	<b>\$ 239,544</b>	<b>\$ 1,888,804</b>	<b>\$ 1,958,288</b>	<b>\$ 170,060</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 239,544	\$ 1,888,804	\$ 1,958,288	\$ 170,060
<b>Total Liabilities</b>	<b>\$ 239,544</b>	<b>\$ 1,888,804</b>	<b>\$ 1,958,288</b>	<b>\$ 170,060</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 368,719	\$ 368,719	\$ 0
Cash	238,985	1,888,739	1,958,268	169,456
Investments	539	47	0	586
Accounts Receivable	20	18	20	18
Due from Other Governments	63,578	68,774	63,578	68,774
<b>Total Assets</b>	<b>\$ 303,122</b>	<b>\$ 2,326,297</b>	<b>\$ 2,390,585</b>	<b>\$ 238,834</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 239,544	\$ 1,888,804	\$ 1,958,288	\$ 170,060
Due to Other Taxing Units	63,578	437,493	432,297	68,774
<b>Total Liabilities</b>	<b>\$ 303,122</b>	<b>\$ 2,326,297</b>	<b>\$ 2,390,585</b>	<b>\$ 238,834</b>

# 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 I-1

Houston County, Tennessee  
Statement of Activities  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2006

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	\$ 5,213,427	\$ 9,122	\$ 690,573	\$ (4,513,732)
Support Services	2,949,581	18,458	25,762	(2,905,361)
Operation of Non-Instructional Services	1,001,098	337,339	433,513	(230,246)
Interest on Long-term Debt	1,636	0	0	(1,636)
Other Debt Service	400,000	0	0	(400,000)
Total Governmental Activities	\$ 9,565,742	\$ 364,919	\$ 1,149,848	\$ (8,050,975)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 625,901
Local option sales tax				452,061
Other local taxes				25,440
Grants & contributions not restricted for specific programs				6,912,789
Unrestricted investment earnings				169,671
Miscellaneous				47,032
Total General Revenues				\$ 8,232,894
Change in Net Assets				\$ 181,919
Net Assets, July 1, 2005				12,532,549
Net Assets, June 30, 2006				\$ 12,714,468

Houston County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Houston County School Department  
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 1,396,901	\$ 366,834	\$ 1,763,735
Due from Other Governments	278,667	4,180	282,847
Property Taxes Receivable	695,348	0	695,348
Allowance for Uncollectible Property Taxes	(17,887)	0	(17,887)
Accrued Interest Receivable	81,984	4,315	86,299
<b>Total Assets</b>	<b>\$ 2,435,013</b>	<b>\$ 375,329</b>	<b>\$ 2,810,342</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 28,764	\$ 0	\$ 28,764
Payroll Deductions Payable	49,474	2,461	51,935
Deferred Revenue - Current Property Taxes	621,380	0	621,380
Deferred Revenue - Delinquent Property Taxes	52,026	0	52,026
Other Deferred Revenues	308,496	4,137	312,633
<b>Total Liabilities</b>	<b>\$ 1,060,140</b>	<b>\$ 6,598</b>	<b>\$ 1,066,738</b>
<b><u>Fund Balances</u></b>			
Reserved for Capital Outlay	\$ 3,278	\$ 0	\$ 3,278
Reserved for Career Ladder - Extended Contract	47,375	0	47,375
Reserved for Career Ladder Program	6,709	0	6,709
Reserved for Title I Grants to Local Education Agencies	0	79,989	79,989
Reserved for Innovative Education Program Strategies	0	136	136
Reserved for Special Education - Grants to States	0	27,821	27,821
Other Federal Reserves	0	23,741	23,741
Unreserved, Reported In:			
General Fund	1,317,511	0	1,317,511
Special Revenue Funds	0	237,044	237,044
<b>Total Fund Balances</b>	<b>\$ 1,374,873</b>	<b>\$ 368,731</b>	<b>\$ 1,743,604</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,435,013</b>	<b>\$ 375,329</b>	<b>\$ 2,810,342</b>

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, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	1,743,604
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	330,020	
Add: buildings and improvements net of accumulated depreciation		9,166,107	
Add: other capital assets net of accumulated depreciation		<u>1,137,804</u>	10,633,931
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: notes payable	\$	(27,500)	
Less: accrued interest payable on notes		<u>(226)</u>	(27,726)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>364,659</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>12,714,468</u></u>

Exhibit I-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, 2006

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,096,327	\$ 0	\$ 1,096,327
Licenses and Permits	579	0	579
Charges for Current Services	27,580	337,339	364,919
Other Local Revenues	167,579	7,857	175,436
State of Tennessee	6,755,030	848	6,755,878
Federal Government	5,420	1,053,995	1,059,415
<b>Total Revenues</b>	<b>\$ 8,052,515</b>	<b>\$ 1,400,039</b>	<b>\$ 9,452,554</b>
<u>Expenditures</u>			
Current:			
Instruction	\$ 4,281,801	\$ 655,476	\$ 4,937,277
Support Services	2,877,144	86,659	2,963,803
Operation of Non-Instructional Services	196,366	638,360	834,726
Capital Outlay	22,000	0	22,000
Debt Service:			
Principal on Debt	19,166	0	19,166
Interest on Debt	1,691	0	1,691
Other Debt Service	400,000	0	400,000
<b>Total Expenditures</b>	<b>\$ 7,798,168</b>	<b>\$ 1,380,495</b>	<b>\$ 9,178,663</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 254,347	\$ 19,544	\$ 273,891
Net Change in Fund Balances	\$ 254,347	\$ 19,544	\$ 273,891
Fund Balance, July 1, 2005	1,120,526	349,187	1,469,713
<b>Fund Balance, June 30, 2006</b>	<b>\$ 1,374,873</b>	<b>\$ 368,731</b>	<b>\$ 1,743,604</b>

Exhibit I-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, 2006

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 273,891
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differs from depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 100,965	
Less: current year depreciation expense	<u>(455,537)</u>	(354,572)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 364,659	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(121,280)</u>	243,379
<p>(3) The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets.</p>		
Add: principal payments on notes		19,166
<p>(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.</p>		
Change in accrued interest		<u>55</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 181,919</u>

Houston County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Houston County School Department  
June 30, 2006

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 129,968	\$ 236,866	\$ 366,834
Due from Other Governments	4,180	0	4,180
Accrued Interest Receivable	0	4,315	4,315
Total Assets	<u>\$ 134,148</u>	<u>\$ 241,181</u>	<u>\$ 375,329</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 2,461	\$ 0	\$ 2,461
Other Deferred Revenues	0	4,137	4,137
Total Liabilities	<u>\$ 2,461</u>	<u>\$ 4,137</u>	<u>\$ 6,598</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 79,989	\$ 0	\$ 79,989
Reserved for Innovative Education Program Strategies	136	0	136
Reserved for Special Education - Grants to States	27,821	0	27,821
Other Federal Reserves	23,741	0	23,741
Unreserved	0	237,044	237,044
Total Fund Balances	<u>\$ 131,687</u>	<u>\$ 237,044</u>	<u>\$ 368,731</u>
Total Liabilities and Fund Balances	<u>\$ 134,148</u>	<u>\$ 241,181</u>	<u>\$ 375,329</u>

Exhibit I-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, 2006

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 337,339	\$ 337,339
Other Local Revenues	0	7,857	7,857
State of Tennessee	0	848	848
Federal Government	710,487	343,508	1,053,995
Total Revenues	<u>\$ 710,487</u>	<u>\$ 689,552</u>	<u>\$ 1,400,039</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 655,476	\$ 0	\$ 655,476
Support Services	86,659	0	86,659
Operation of Non-Instructional Services	0	638,360	638,360
Total Expenditures	<u>\$ 742,135</u>	<u>\$ 638,360</u>	<u>\$ 1,380,495</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,648)</u>	<u>\$ 51,192</u>	<u>\$ 19,544</u>
Net Change in Fund Balances	\$ (31,648)	\$ 51,192	\$ 19,544
Fund Balance, July 1, 2005	163,335	185,852	349,187
Fund Balance, June 30, 2006	<u>\$ 131,687</u>	<u>\$ 237,044</u>	<u>\$ 368,731</u>

Exhibit I-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,096,327	\$ 1,079,500	\$ 1,079,500	\$ 16,827
Licenses and Permits	579	400	400	179
Charges for Current Services	27,580	21,000	21,000	6,580
Other Local Revenues	167,579	96,000	118,000	49,579
State of Tennessee	6,755,030	6,562,559	6,768,807	(13,777)
Federal Government	5,420	0	8,063	(2,499)
<b>Total Revenues</b>	<b>\$ 8,052,515</b>	<b>\$ 7,759,459</b>	<b>\$ 7,995,770</b>	<b>\$ 56,745</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 3,656,982	\$ 3,800,250	\$ 3,830,530	\$ 173,548
Special Education Program	413,736	465,197	441,340	27,604
Vocational Education Program	211,083	241,086	241,086	30,003
<u>Support Services</u>				
Attendance	28,943	30,867	30,867	1,924
Health Services	4,137	5,100	5,100	963
Other Student Support	148,613	170,000	170,000	21,387
Regular Instruction Program	353,969	377,300	377,300	23,331
Alternative Instruction Program	52,153	54,400	54,400	2,247
Special Education Program	153,123	137,200	161,200	8,077
Vocational Education Program	388	11,500	11,500	11,112
Board of Education	220,755	263,000	263,000	42,245
Director of Schools	100,336	122,530	122,530	22,194
Office of the Principal	505,565	531,000	531,000	25,435
Fiscal Services	99,324	111,850	111,850	12,526
Operation of Plant	673,880	686,600	716,600	42,720
Maintenance of Plant	149,766	149,100	171,100	21,334
Transportation	386,192	441,500	441,500	55,308
Central and Other	0	5,000	5,000	5,000
<u>Operation of Non-Instructional Services</u>				
Food Service	28,425	29,300	29,300	875
Community Services	25,344	33,300	33,300	7,956
Early Childhood Education	142,597	0	183,888	41,291
<u>Capital Outlay</u>				
Regular Capital Outlay	22,000	60,000	30,000	8,000
<u>Principal on Debt</u>				
Education	19,166	425,000	25,000	5,834
<u>Interest on Debt</u>				
Education	1,691	4,000	4,000	2,309
<u>Other Debt Service</u>				
Education	400,000	0	400,000	0
<b>Total Expenditures</b>	<b>\$ 7,798,168</b>	<b>\$ 8,155,080</b>	<b>\$ 8,391,391</b>	<b>\$ 593,223</b>

Exhibit I-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	\$ 254,347	\$ (395,621)	\$ (395,621)	\$ 649,968
Net Change in Fund Balance	\$ 254,347	\$ (395,621)	\$ (395,621)	\$ 649,968
Fund Balance, July 1, 2005	1,120,526	1,106,338	1,106,338	14,188
Fund Balance, June 30, 2006	\$ 1,374,873	\$ 710,717	\$ 710,717	\$ 664,156

Exhibit I-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 710,487	\$ 706,455	\$ 710,507	\$ (20)
Total Revenues	\$ 710,487	\$ 706,455	\$ 710,507	\$ (20)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 327,825	\$ 349,100	\$ 484,076	\$ 156,251
Special Education Program	301,965	258,731	356,448	54,483
Vocational Education Program	25,686	24,205	25,705	19
<u>Support Services</u>				
Regular Instruction Program	71,160	77,641	116,215	45,055
Special Education Program	6,299	11,000	18,328	12,029
Vocational Education Program	9,200	10,700	9,200	0
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	0	13,642	0	0
Total Expenditures	\$ 742,135	\$ 745,019	\$ 1,009,972	\$ 267,837
Excess (Deficiency) of Revenues Over Expenditures	\$ (31,648)	\$ (38,564)	\$ (299,465)	\$ 267,817
Net Change in Fund Balance	\$ (31,648)	\$ (38,564)	\$ (299,465)	\$ 267,817
Fund Balance, July 1, 2005	163,335	163,334	163,334	1
Fund Balance, June 30, 2006	\$ 131,687	\$ 124,770	\$ (136,131)	\$ 267,818

Exhibit I-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 337,339	\$ 375,500	\$ 375,500	\$ (38,161)
Other Local Revenues	7,857	13,000	13,000	(5,143)
State of Tennessee	848	1,800	1,800	(952)
Federal Government	343,508	274,500	274,500	69,008
Total Revenues	<u>\$ 689,552</u>	<u>\$ 664,800</u>	<u>\$ 664,800</u>	<u>\$ 24,752</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 638,360	\$ 664,800	\$ 664,800	\$ 26,440
Total Expenditures	<u>\$ 638,360</u>	<u>\$ 664,800</u>	<u>\$ 664,800</u>	<u>\$ 26,440</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 51,192</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51,192</u>
Net Change in Fund Balance	\$ 51,192	\$ 0	\$ 0	\$ 51,192
Fund Balance, July 1, 2005	<u>185,852</u>	<u>0</u>	<u>0</u>	<u>185,852</u>
Fund Balance, June 30, 2006	<u>\$ 237,044</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 237,044</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-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, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b>PRIMARY GOVERNMENT</b>								
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
National Guard Building	\$ 150,000	5.75	% 4-25-1994	4-25-06	\$ 12,500	\$ 0	\$ 12,500	\$ 0
E-911 Building and Equipment	50,000	5.95	4-9-1997	4-9-06	5,000	0	5,000	0
Houston County Park Improvements	96,000	0	8-28-1997	8-28-07	20,800	0	9,600	11,200
Jail Site	45,000	5.02	4-13-1998	4-13-08	18,750	0	3,750	15,000
Solid Waste Equipment and Construction	160,000	3.74	12-4-02	12-5-05	120,000	0	120,000	0
Ambulance	47,000	1.83	11-5-03	11-5-08	37,557	0	8,803	28,754
Health Department Addition	60,000	3.9	5-21-04	5-21-16	55,000	0	5,000	50,000
Convenience Center Front Wheel Loader	110,287	3.29	6-1-04	6-1-16	101,096	0	9,191	91,905
Ambulance	41,000	3.49	6-1-04	6-1-08	30,750	0	10,250	20,500
Ambulance	29,151	3.29	6-2-04	6-2-07	16,151	0	13,000	3,151
Roofing of County Buildings	20,000	3.89	4-14-05	4-14-11	20,000	0	3,333	16,667
E-911 Communication Tower and Equipment	221,000	4.04	8-17-05	8-17-08	0	221,000	0	221,000
Solid Waste Equipment and Construction (Extension)	100,000	4.69	12-5-05	12-5-10	0	100,000	0	100,000
Total Notes Payable					<u>\$ 437,604</u>	<u>\$ 321,000</u>	<u>\$ 200,427</u>	<u>\$ 558,177</u>
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Courthouse Renovations	1,800,000	variable	10-21-1999	5-25-24	\$ 1,612,000	\$ 0	\$ 53,000	\$ 1,559,000
School Construction	10,000,000	variable	1-31-00	5-25-27	9,340,000	0	243,000	9,097,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	929,000	0	26,000	903,000
Jail Construction and Courthouse Renovations	(1)	variable	4-26-02	5-25-27	161,200	0	30,000	131,200
Total Other Loans Payable					<u>\$ 12,042,200</u>	<u>\$ 0</u>	<u>\$ 352,000</u>	<u>\$ 11,690,200</u>

(Continued)

Exhibit J-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 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<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	\$ 47,870	\$ 0	\$ 23,363	\$ 24,507
Patrol Cars	100,380	5.5	1-31-06	1-31-09	0	100,380	27,145	73,235
Total Capital Leases Payable					<u>\$ 47,870</u>	<u>\$ 100,380</u>	<u>\$ 50,508</u>	<u>\$ 97,742</u>
<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	\$ 200,000	\$ 0	\$ 16,000	\$ 184,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	115,967	0	6,694	109,273
Total Bonds Payable					<u>\$ 315,967</u>	<u>\$ 0</u>	<u>\$ 22,694</u>	<u>\$ 293,273</u>
<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	\$ 16,666	\$ 0	\$ 16,666	\$ 0
Special Education Bus	30,000	3.89	4-14-05	4-14-17	30,000	0	2,500	27,500
Total Notes Payable					<u>\$ 46,666</u>	<u>\$ 0</u>	<u>\$ 19,166</u>	<u>\$ 27,500</u>

(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 J-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	
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	11,546	534	0	0	12,080
Total	\$ 109,273	\$ 35,557	\$ 184,000	\$ 52,400	\$ 381,230

Exhibit J-3

Houston County, Tennessee  
Schedule of Investments  
June 30, 2006

<u>Fund and Type</u>	<u>Amount</u>
<u>Constitutional Officers - Agency Fund</u>	
<u>Circuit Court Clerk</u>	
AIM Aggressive Growth Fund	\$ <u>586</u>
Total Investments	\$ <u><u>586</u></u>

Exhibit J-4

Houston County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Houston County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 52,924	\$ 25,000	Auto Owners Mutual Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	50,041	100,000	"
Director of Schools	State Board of Education and County Board of Education	79,030	(1) 100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	45,822	328,000	Auto Owners Mutual Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	45,822	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	45,822	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	45,822	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	48,313	(2) 50,000	"
Register	Section 8-24-102, <u>TCA</u>	45,822	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	50,923	(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 \$2,491.  
(3) Includes law enforcement training supplement of \$519.

Exhibit J-5

Houston County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2006

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Other Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,472,020	\$ 184,544	\$ 0	\$ 0	\$ 8,383	\$ 176,169	\$ 0	\$ 1,841,116
Discount on Property Taxes	(9,934)	(1,221)	0	0	(55)	(1,166)	0	(12,376)
Trustee's Collections - Prior Year	126,138	11,807	0	0	538	11,283	0	149,766
Circuit/Clerk & Master Collections - Prior Years	20,839	2,552	0	0	114	2,454	0	25,959
Interest and Penalty	21,538	2,536	0	0	120	2,464	0	26,658
Payments in-Lieu-of Taxes - T.V.A.	0	79	0	0	79	0	0	158
Payments in-Lieu-of Taxes - Local Utilities	31,042	3,774	0	0	172	3,730	0	38,718
<u>County Local Option Taxes</u>								
Local Option Sales Tax	75,811	0	0	0	0	0	0	75,811
Hotel/Motel Tax	12,432	0	0	0	0	0	0	12,432
Wheel Tax	0	0	0	0	0	307,627	0	307,627
Litigation Tax - General	17,445	0	0	0	0	0	0	17,445
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	5,380	0	5,380
Business Tax	0	4,800	0	0	96	2,056	0	6,952
<u>Statutory Local Taxes</u>								
Bank Excise Tax	9,112	0	0	0	0	0	0	9,112
Wholesale Beer Tax	238	28,053	0	0	0	2,149	0	30,440
Interstate Telecommunications Tax	955	0	0	0	0	0	0	955
<b>Total Local Taxes</b>	<b>\$ 1,777,636</b>	<b>\$ 236,924</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,447</b>	<b>\$ 512,146</b>	<b>\$ 0</b>	<b>\$ 2,536,153</b>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 3,667	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,667
Officers Costs	2,695	0	0	0	0	0	0	2,695
Jail Fees	304	0	0	0	0	0	0	304
DUI Treatment Fines	190	0	0	0	0	0	0	190
Data Entry Fee - Circuit Court	63	0	0	0	0	0	0	63
<u>General Sessions Court</u>								
Fines	4,492	0	0	0	0	0	0	4,492
Officers Costs	7,986	0	0	0	0	0	0	7,986
Drug Control Fines	276	0	47	0	0	0	0	323
Jail Fees	4,598	0	0	0	0	0	0	4,598

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>General Sessions Court (Cont.)</u>								
DUI Treatment Fines	\$ 974	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	974
Data Entry Fee - General Sessions Court	787	0	0	0	0	0	0	787
<u>Juvenile Court</u>								
Fines	76	0	0	0	0	0	0	76
Officers Costs	1,011	0	0	0	0	0	0	1,011
Data Entry Fee - Juvenile Court	100	0	0	0	0	0	0	100
<u>Chancery Court</u>								
Officers Costs	899	0	0	0	0	0	0	899
Data Entry Fee - Chancery Court	94	0	0	0	0	0	0	94
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	1,925	0	0	0	0	1,925
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 28,212</b>	<b>\$ 0</b>	<b>\$ 1,972</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>30,184</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 556,208	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	556,208
Work Release Charges for Board	1,975	0	0	0	0	0	0	1,975
Other General Service Charges	61,876	0	0	0	0	0	0	61,876
<u>Fees</u>								
Airport Fees	1,200	0	0	0	0	0	0	1,200
Recreation Fees	1,000	0	0	0	0	0	0	1,000
Copy Fees	626	0	0	0	0	0	0	626
Telephone Commissions	3,959	0	0	0	0	0	0	3,959
Constitutional Officers' Fees and Commissions	0	0	0	48,010	0	0	0	48,010
Data Processing Fee - Register	3,602	0	0	0	0	0	0	3,602
Sexual Offender Registration Fees - Sheriff	1,420	0	0	0	0	0	0	1,420
<b>Total Charges for Current Services</b>	<b>\$ 631,866</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 48,010</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>679,876</b>
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Lease/Rentals	\$ 15,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	15,050
Sale of Materials and Supplies	469	0	0	0	0	0	0	469

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Other Capital Projects	
<u>Other Local Revenues (Cont.)</u>								
<u>Recurring Items (Cont.)</u>								
Commissary Sales	\$ 4,828	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,828
Sale of Gasoline	0	0	0	0	40,246	0	0	40,246
Sale of Recycled Materials	0	9,517	0	0	0	0	0	9,517
Miscellaneous Refunds	1,206	0	0	0	222	17	0	1,445
<u>Nonrecurring Items</u>								
Insurance Recovery	8,288	0	0	0	0	0	0	8,288
Sale of Equipment	7,836	0	0	0	23,638	0	0	31,474
Contributions & Gifts	29	0	0	0	0	0	0	29
<u>Other Local Revenues</u>								
Other Local Revenues	16,021	0	0	0	0	0	0	16,021
Total Other Local Revenues	\$ 53,727	\$ 9,517	\$ 0	\$ 0	\$ 64,106	\$ 17	\$ 0	127,367
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 28,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	28,000
<u>Fees-In-Lieu of Salary</u>								
Circuit Court Clerk	14,158	0	0	0	0	0	0	14,158
General Sessions Court Clerk	19,925	0	0	0	0	0	0	19,925
Clerk and Master	36,033	0	0	0	0	0	0	36,033
Juvenile Court Clerk	4,652	0	0	0	0	0	0	4,652
Register	43,689	0	0	0	0	0	0	43,689
Sheriff	3,192	0	0	0	0	0	0	3,192
Trustee	104,193	0	0	0	0	0	0	104,193
Total Fees Received from County Officials	\$ 253,842	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	253,842
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
State Reappraisal Grant	3,774	0	0	0	0	0	0	3,774
Other General Government Grants	4,462	0	0	0	0	0	0	4,462
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	3,112	0	0	0	0	0	0	3,112

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	Service Fund	Projects Fund	
<u>State of Tennessee (Cont.)</u>								
<u>Public Works Grants</u>								
Bridge Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,771	\$ 0	\$ 0	\$ 67,771
State Aid Program	0	0	0	0	122,520	0	0	122,520
Litter Program	33,783	0	0	0	0	0	0	33,783
<u>Other State Revenues</u>								
Income Tax	0	140	0	0	140	0	0	280
Beer Tax	0	17,212	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	13,926	0	0	0	0	0	13,926
State Revenue Sharing - T.V.A.	0	22,745	0	0	18,745	0	0	41,490
Emergency Hospital - Prisoners	21,807	0	0	0	0	0	0	21,807
Contracted Prisoner Boarding	61,703	0	0	0	0	75,416	0	137,119
Gasoline and Motor Fuel Tax	0	0	0	0	1,262,287	0	0	1,262,287
Petroleum Special Tax	0	0	0	0	6,506	0	0	6,506
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	9,000	37,679	0	0	0	0	0	46,679
Other State Revenues	15,222	0	0	0	0	0	0	15,222
<b>Total State of Tennessee</b>	<b>\$ 178,243</b>	<b>\$ 91,702</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,477,969</b>	<b>\$ 75,416</b>	<b>\$ 0</b>	<b>\$ 1,823,330</b>
<u>Federal Government</u>								
<u>Federal Through State</u>								
Homeland Security Grants	\$ 14,969	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,969
Other Federal through State	76,500	0	0	0	0	0	0	76,500
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	0	0	0	0	0	0	143,989	143,989
<b>Total Federal Government</b>	<b>\$ 91,469</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 143,989</b>	<b>\$ 235,458</b>
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 37,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 400,000	\$ 26,774	\$ 464,374
Contracted Services	20,082	0	0	0	0	7,500	0	27,582
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 57,682</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 407,500</b>	<b>\$ 26,774</b>	<b>\$ 491,956</b>
<b>Total</b>	<b>\$ 3,072,677</b>	<b>\$ 338,143</b>	<b>\$ 1,972</b>	<b>\$ 48,010</b>	<b>\$ 1,551,522</b>	<b>\$ 995,079</b>	<b>\$ 170,763</b>	<b>\$ 6,178,166</b>

Exhibit J-6

Houston County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 562,088	\$ 0	\$ 0	\$ 562,088
Discount on Property Taxes	(3,718)	0	0	(3,718)
Trustee's Collections - Prior Year	36,150	0	0	36,150
Circuit/Clerk & Master Collections - Prior Years	7,800	0	0	7,800
Interest and Penalty	8,154	0	0	8,154
Payments in-Lieu-of Taxes - T.V.A.	887	0	0	887
Payments in-Lieu-of Taxes - Local Utilities	11,531	0	0	11,531
<u>County Local Option Taxes</u>				
Local Option Sales Tax	447,997	0	0	447,997
Business Tax	24,087	0	0	24,087
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	1,351	0	0	1,351
<b>Total Local Taxes</b>	<b>\$ 1,096,327</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,096,327</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	\$ 8,472	\$ 0	\$ 0	\$ 8,472
Tuition - Summer School	650	0	0	650
Lunch Payments - Children	0	0	167,026	167,026
Lunch Payments - Adults	0	0	22,205	22,205
Income from Breakfast	0	0	21,051	21,051
A la carte Sales	0	0	127,057	127,057
Receipts from Individual Schools	18,458	0	0	18,458
<b>Total Charges for Current Services</b>	<b>\$ 27,580</b>	<b>\$ 0</b>	<b>\$ 337,339</b>	<b>\$ 364,919</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 123,907	\$ 0	\$ 6,865	\$ 130,772
Miscellaneous Refunds	13,173	0	42	13,215
<u>Nonrecurring Items</u>				
Insurance Recovery	30,437	0	0	30,437
Sale of Equipment	0	0	950	950
<u>Other Local Revenues</u>				
Other Local Revenues	62	0	0	62
<b>Total Other Local Revenues</b>	<b>\$ 167,579</b>	<b>\$ 0</b>	<b>\$ 7,857</b>	<b>\$ 175,436</b>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 6,384,132	\$ 0	\$ 0	\$ 6,384,132
School Food Service	7,634	0	848	8,482
Other State Education Funds	4,681	0	0	4,681
Career Ladder Program	74,583	0	0	74,583
Career Ladder - Extended Contract	49,259	0	0	49,259

(Continued)

Exhibit J-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>State Education Funds (Cont.)</u>				
Other Vocational	\$ 4,474	\$ 0	\$ 0	\$ 4,474
<u>Other State Revenues</u>				
Income Tax	1,562	0	0	1,562
State Revenue Sharing - T.V.A.	209,605	0	0	209,605
Other State Grants	19,100	0	0	19,100
Total State of Tennessee	\$ 6,755,030	\$ 0	\$ 848	\$ 6,755,878
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 251,270	\$ 251,270
Breakfast	0	0	92,238	92,238
Vocational Education - Basic Grants to States	0	34,885	0	34,885
Title I Grants to Local Education Agencies	0	299,872	0	299,872
Innovative Education Program Strategies	0	4,621	0	4,621
Special Education - Grants to States	0	271,815	0	271,815
Special Education Preschool Grants	0	13,648	0	13,648
Eisenhower Professional Development State Grants	0	74,680	0	74,680
Other Federal through State	5,420	10,966	0	16,386
Total Federal Government	\$ 5,420	\$ 710,487	\$ 343,508	\$ 1,059,415
Total	\$ 8,052,515	\$ 710,487	\$ 689,552	\$ 9,452,554

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	17,950	
Social Security		1,113	
Employer Medicare		263	
Audit Services		1,916	
Legal Services		2,099	
Legal Notices, Recording, and Court Costs		3,783	
Total County Commission			\$ 27,124

Board of Equalization

Board and Committee Members Fees	\$	790	
Social Security		49	
Employer Medicare		11	
Total Board of Equalization			850

Budget and Finance Committee

Other Salaries & Wages	\$	927	
Board and Committee Members Fees		3,000	
Social Security		243	
Unemployment Compensation		6	
Employer Medicare		54	
Total Budget and Finance Committee			4,230

County Mayor/Executive

County Official/Administrative Officer	\$	52,924	
Accountants/Bookkeepers		20,803	
Clerical Personnel		18,176	
In-Service Training		465	
Social Security		5,698	
Unemployment Compensation		235	
Employer Medicare		1,333	
Communication		2,896	
Data Processing Services		6,929	
Travel		3,113	
Office Supplies		3,046	
Other Charges		83	
Data Processing Equipment		5,645	
Total County Mayor/Executive			121,346

County Attorney

County Official/Administrative Officer	\$	16,424	
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(Continued)

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	\$ 250	
Total County Attorney		\$ 16,674

Election Commission

County Official/Administrative Officer	\$ 40,117	
Clerical Personnel	15,379	
Election Commission	4,300	
Election Workers	15,304	
Social Security	3,756	
Unemployment Compensation	299	
Employer Medicare	882	
Communication	1,348	
Data Processing Services	1,725	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	3,683	
Maintenance & Repair Services - Office Equipment	438	
Rentals	100	
Travel	736	
Data Processing Supplies	1,073	
Other Supplies and Materials	4,129	
Data Processing Equipment	124	
Voting Machines	79,300	
Total Election Commission		172,868

Register of Deeds

County Official/Administrative Officer	\$ 45,822	
Deputy(ies)	15,579	
Social Security	3,807	
Unemployment Compensation	315	
Employer Medicare	890	
Communication	754	
Data Processing Services	1,500	
Dues and Memberships	373	
Maintenance & Repair Services - Office Equipment	66	
Printing, Stationery, and Forms	332	
Travel	21	
Office Supplies	2,339	
Premiums on Corporate Surety Bonds	68	
Data Processing Equipment	3,827	
Office Equipment	462	
Total Register of Deeds		76,155

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Building

Maintenance & Repair Services - Buildings	\$	1,800	
Building Construction		500	
Total Building			\$ 2,300

County Buildings

Custodial Personnel	\$	14,100	
Social Security		874	
Unemployment Compensation		144	
Employer Medicare		204	
Contracts with Private Agencies		62	
Maintenance Agreements		1,827	
Maintenance & Repair Services - Buildings		5,307	
Other Contracted Services		266	
Custodial Supplies		3,490	
Electricity		15,455	
Natural Gas		3,728	
Water and Sewer		2,772	
Building and Contents Insurance		7,500	
Other Construction		5,398	
Total County Buildings			61,127

Other General Administration

Postal Charges	\$	14,000	
Rentals		4,489	
Data Processing Supplies		2,503	
Total Other General Administration			20,992

Preservation of Records

Data Processing Services	\$	4,579	
Total Preservation of Records			4,579

Finance

Central Services

Other Salaries & Wages	\$	8,438	
Social Security		523	
Unemployment Compensation		149	
Employer Medicare		122	
Total Central Services			9,232

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	45,822	
Secretary(ies)		13,010	
Social Security		3,685	
Unemployment Compensation		122	
Employer Medicare		862	
Communication		824	
Contracts with Private Agencies		4,530	
Data Processing Services		1,300	
Dues and Memberships		786	
Legal Notices, Recording, and Court Costs		58	
Maintenance & Repair Services - Vehicles		333	
Travel		283	
Gasoline		361	
Office Supplies		1,114	
Premiums on Corporate Surety Bonds		57	
Other Charges		323	
Total Property Assessor's Office			\$ 73,470

Reappraisal Program

Laborers	\$	4,181	
Clerical Personnel		115	
Social Security		229	
Unemployment Compensation		60	
Employer Medicare		54	
Data Processing Services		1,040	
Travel		50	
Total Reappraisal Program			5,729

County Trustee's Office

County Official/Administrative Officer	\$	45,822	
Clerical Personnel		17,705	
Social Security		3,939	
Unemployment Compensation		177	
Employer Medicare		921	
Communication		1,270	
Data Processing Services		6,558	
Dues and Memberships		423	
Legal Notices, Recording, and Court Costs		203	
Travel		14	
Office Supplies		3,150	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Premiums on Corporate Surety Bonds	\$	877	
Other Charges		46	
Data Processing Equipment		2,679	
Office Equipment		52	
Total County Trustee's Office			\$ 83,836

County Clerk's Office

Deputy(ies)	\$	16,650	
Secretary(ies)		24,937	
Clerical Personnel		5,824	
Other Salaries & Wages		8,201	
Social Security		6,075	
Unemployment Compensation		672	
Employer Medicare		1,471	
Communication		2,798	
Freight Expenses		22	
Maintenance & Repair Services - Equipment		487	
Office Supplies		3,937	
Office Equipment		415	
Total County Clerk's Office			71,489

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	45,822	
Deputy(ies)		16,642	
Clerical Personnel		13,186	
Other Salaries & Wages		2,845	
Board and Committee Members Fees		150	
Jury and Witness Fees		6,557	
Social Security		4,867	
Unemployment Compensation		389	
Employer Medicare		1,138	
Communication		1,493	
Dues and Memberships		278	
Legal Notices, Recording, and Court Costs		49	
Office Supplies		3,653	
Premiums on Corporate Surety Bonds		68	
Total Circuit Court			97,137

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge

Judge(s)	\$	33,727	
Salary Supplements		2,946	
Social Security		2,274	
Employer Medicare		532	
Communication		258	
Dues and Memberships		190	
Travel		1,165	
Office Supplies		270	
Other Supplies and Materials		1,490	
Total General Sessions Judge			\$ 42,852

Chancery Court

County Official/Administrative Officer	\$	45,822	
Deputy(ies)		15,461	
Social Security		3,800	
Unemployment Compensation		141	
Employer Medicare		889	
Communication		1,397	
Dues and Memberships		338	
Legal Notices, Recording, and Court Costs		19	
Travel		136	
Office Supplies		1,598	
Data Processing Equipment		1,742	
Total Chancery Court			71,343

Juvenile Court

Judge(s)	\$	8,845	
Social Workers		24,568	
Guards		80	
Social Security		2,072	
Unemployment Compensation		140	
Employer Medicare		485	
Communication		714	
Contracts with Private Agencies		250	
Travel		298	
Other Contracted Services		138	
Other Supplies and Materials		60	
Total Juvenile Court			37,650

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

District Attorney General

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

Judicial Commissioners

Clerical Personnel	\$ 11,330	
Social Security	702	
Employer Medicare	164	
Communication	279	
Total Judicial Commissioners		12,475

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 50,404	
Deputy(ies)	198,598	
Salary Supplements	3,112	
Secretary(ies)	14,604	
In-Service Training	7,807	
Social Security	16,151	
Unemployment Compensation	1,602	
Employer Medicare	3,777	
Communication	4,024	
Maintenance & Repair Services - Equipment	2,410	
Maintenance & Repair Services - Office Equipment	1,137	
Maintenance & Repair Services - Vehicles	12,524	
Postal Charges	92	
Travel	628	
Gasoline	20,592	
Law Enforcement Supplies	4,445	
Office Supplies	1,250	
Tires and Tubes	2,466	
Uniforms	1,750	
Other Supplies and Materials	653	
Premiums on Corporate Surety Bonds	152	
Vehicle and Equipment Insurance	4,500	
Data Processing Equipment	144	
Law Enforcement Equipment	5,000	
Motor Vehicles	100,380	
Total Sheriff's Department		458,202

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement

Evaluation and Testing	\$ 2,185	
Total Drug Enforcement		\$ 2,185

Jail

Guards	\$ 186,026	
Secretary(ies)	13,794	
Cafeteria Personnel	22,190	
Social Security	14,894	
Unemployment Compensation	2,627	
Employer Medicare	3,483	
Communication	4,027	
Maintenance & Repair Services - Buildings	11,470	
Maintenance & Repair Services - Office Equipment	877	
Medical and Dental Services	45,136	
Pest Control	225	
Postal Charges	215	
Travel	750	
Custodial Supplies	2,600	
Electricity	23,853	
Food Supplies	25,381	
Gasoline	7,000	
Law Enforcement Supplies	2,445	
Office Supplies	756	
Prisoners Clothing	167	
Uniforms	1,705	
Utilities	21,276	
Other Supplies and Materials	4,996	
Law Enforcement Equipment	1,242	
Total Jail		397,135

Fire Prevention and Control

Contributions	\$ 1,000	
Other Contracted Services	2,006	
Other Charges	52,000	
Building Construction	5,550	
Maintenance Equipment	2,323	
Total Fire Prevention and Control		62,879

Civil Defense

Supervisor/Director	\$ 10,949	
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(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Social Security	\$	679	
Unemployment Compensation		147	
Employer Medicare		159	
Communication		5,999	
Dues and Memberships		70	
Maintenance & Repair Services - Vehicles		152	
Travel		247	
Gasoline		1,044	
Law Enforcement Supplies		2,291	
Office Supplies		20	
Other Charges		1,440	
Office Equipment		1,723	
Total Civil Defense			\$ 24,920

Other Emergency Management

Supervisor/Director	\$	21,251	
Salary Supplements		5,593	
Dispatchers/Radio Operators		78,713	
In-Service Training		4,174	
Social Security		6,793	
Unemployment Compensation		1,011	
Employer Medicare		1,589	
Communication		3,879	
Contracts with Private Agencies		6,920	
Maintenance & Repair Services - Buildings		1,495	
Maintenance & Repair Services - Office Equipment		1,008	
Pest Control		120	
Travel		608	
Other Contracted Services		340	
Custodial Supplies		478	
Electricity		2,860	
Natural Gas		600	
Office Supplies		1,549	
Water and Sewer		605	
Total Other Emergency Management			139,586

County Coroner/Medical Examiner

Medical Personnel	\$	17,501	
Premiums on Corporate Surety Bonds		68	
Total County Coroner/Medical Examiner			17,569

(Continued)

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	3,900	
Communication		2,291	
Contracts with Government Agencies		16,910	
Custodial Supplies		148	
Drugs and Medical Supplies		265	
Electricity		3,714	
Office Supplies		297	
Water and Sewer		1,395	
Building and Contents Insurance		537	
Other Charges		331	
Total Local Health Center			\$ 29,788

Ambulance/Emergency Medical Services

Supervisor/Director	\$	32,281
Accountants/Bookkeepers		21,110
Medical Personnel		215,287
Paraprofessionals		165,866
In-Service Training		1,811
Social Security		26,942
Unemployment Compensation		2,789
Employer Medicare		6,301
Communication		5,810
Contracts with Private Agencies		1,980
Operating Lease Payments		9,900
Licenses		550
Maintenance & Repair Services - Buildings		198
Maintenance & Repair Services - Office Equipment		192
Maintenance & Repair Services - Vehicles		9,769
Pest Control		120
Postal Charges		822
Travel		249
Remittance of Revenue Collected		812
Custodial Supplies		1,286
Drugs and Medical Supplies		17,565
Electricity		2,504
Gasoline		16,963
Office Supplies		2,890
Uniforms		2,691
Utilities		2,373
Data Processing Equipment		1,200

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Office Equipment	\$ 1,437	
Total Ambulance/Emergency Medical Services		\$ 551,698

Other Local Health Services

Clerical Personnel	\$ 4,290	
Social Security	266	
Unemployment Compensation	86	
Employer Medicare	62	
Travel	360	
Office Supplies	2,345	
Total Other Local Health Services		7,409

Sanitation Education/Information

Laborers	\$ 13,350	
Clerical Personnel	5,887	
Social Security	1,193	
Unemployment Compensation	300	
Employer Medicare	279	
Maintenance & Repair Services - Vehicles	941	
Gasoline	2,849	
Other Supplies and Materials	68	
Other Charges	4,289	
Total Sanitation Education/Information		29,156

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 43,690	
Total Adult Activities		43,690

Libraries

Deputy(ies)	\$ 18,129
Librarians	28,686
Part-time Personnel	13,948
Other Salaries & Wages	2,581
Social Security	3,954
Unemployment Compensation	476
Employer Medicare	925
Communication	2,056
Dues and Memberships	380
Janitorial Services	1,220

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Maintenance & Repair Services - Buildings	\$	1,801	
Postal Charges		1,200	
Travel		726	
Other Contracted Services		250	
Custodial Supplies		420	
Data Processing Supplies		2,000	
Electricity		6,751	
Library Books/Media		15,978	
Natural Gas		1,211	
Office Supplies		1,962	
Water and Sewer		246	
Other Supplies and Materials		616	
Total Libraries			\$ 105,516

Other Social, Cultural, and Recreational

Contracts with Other Public Agencies	\$	44,900	
Total Other Social, Cultural, and Recreational			44,900

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	7,468	
Supervisor/Director		9,785	
Secretary(ies)		4,710	
Social Security		1,073	
Local Retirement		1,947	
Communication		1,723	
Travel		1,753	
Data Processing Equipment		678	
Other Equipment		240	
Total Agriculture Extension Service			29,377

Soil Conservation

Board and Committee Members Fees	\$	6,182	
Social Security		383	
Unemployment Compensation		126	
Employer Medicare		90	
Communication		302	
Contributions		3,300	
Total Soil Conservation			10,383

(Continued)

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

General Fund (Cont.)

Other Operations

Tourism

Maintenance Personnel	\$	3,024	
Social Security		187	
Unemployment Compensation		44	
Employer Medicare		44	
Maintenance & Repair Services - Buildings		4,008	
Electricity		2,285	
Garage Supplies		1,122	
Refunds		100	
Building Improvements		4,295	
Total Tourism			\$ 15,109

Other Economic and Community Development

County Official/Administrative Officer	\$	25,000	
Assistant(s)		8,320	
In-Service Training		988	
Social Security		2,066	
Unemployment Compensation		265	
Employer Medicare		483	
Maintenance & Repair Services - Buildings		3,500	
Custodial Supplies		479	
Food Supplies		6,000	
Office Supplies		696	
Utilities		8,925	
Other Supplies and Materials		1,790	
Other Charges		430	
Office Equipment		1,984	
Total Other Economic and Community Development			60,926

Airport

Contracts with Private Agencies	\$	3,268	
Electricity		1,057	
Building and Contents Insurance		1,250	
Total Airport			5,575

Veterans' Services

County Official/Administrative Officer	\$	1,605	
Other Per Diem & Fees		693	
Social Security		142	
Employer Medicare		33	
Total Veterans' Services			2,473

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Other Salaries & Wages	\$	1,115	
Social Security		69	
Unemployment Compensation		22	
Employer Medicare		16	
Other Contracted Services		100	
Food Supplies		695	
Instructional Supplies and Materials		585	
Other Supplies and Materials		1,266	
Other Charges		993	
Other Construction		690	
Total Other Charges			\$ 5,551

Contributions to Other Agencies

Other Supplies and Materials	\$	1,000	
Total Contributions to Other Agencies			1,000

Employee Benefits

Workers' Compensation Insurance	\$	26,602	
Total Employee Benefits			26,602

Payments to Cities

Matching Share	\$	6,216	
Total Payments to Cities			6,216

Miscellaneous

Dues and Memberships	\$	4,461	
Remittance of Revenue Collected		10,176	
Liability Insurance		41,835	
Trustee's Commission		35,627	
Total Miscellaneous			92,099

Principal on Debt

General Government

Principal on Capital Leases	\$	50,508	
Total General Government			50,508

Interest on Debt

General Government

Interest on Capital Leases	\$	2,346	
Total General Government			2,346

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Capital Projects

General Administration Projects

Building Improvements	\$ 344	
Total General Administration Projects		\$ 344

Public Utility Projects

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

Other General Government Projects

Other Equipment	\$ 181,060	
Total Other General Government Projects		<u>181,060</u>

Total General Fund \$ 3,429,245

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Equipment Operators	\$ 67,990	
Other Salaries & Wages	4,710	
Social Security	4,507	
Unemployment Compensation	724	
Employer Medicare	1,054	
Communication	564	
Contracts with Private Agencies	82,259	
Evaluation and Testing	4,012	
Laundry Service	1,364	
Operating Lease Payments	18,386	
Maintenance & Repair Services - Equipment	21,034	
Travel	300	
Disposal Fees	1,000	
Electricity	2,283	
Gasoline	18,573	
Water and Sewer	2,040	
Maintenance Equipment	<u>1,455</u>	
Total Convenience Centers		\$ 232,255

Landfill Operation and Maintenance

General Construction Materials	\$ 2,855	
Total Landfill Operation and Maintenance		2,855

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 4,939	
Total Other Charges		\$ 4,939

Employee Benefits

Workers' Compensation Insurance	\$ 3,000	
Total Employee Benefits		3,000

Total Solid Waste/Sanitation Fund		\$ 243,049
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Drug Control Fund

Public Safety

Drug Enforcement

Other Charges	\$ 1,000	
Total Drug Enforcement		\$ 1,000

Total Drug Control Fund		1,000
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Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 46,383	
Total County Clerk's Office		\$ 46,383

Total Constitutional Officers - Fees Fund		46,383
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 50,041
Accountants/Bookkeepers	25,709
Secretary(ies)	19,614
Data Processing Services	4,526
Dues and Memberships	1,747
Freight Expenses	1,642
Operating Lease Payments	1,558
Legal Notices, Recording, and Court Costs	743
Postal Charges	450
Printing, Stationery, and Forms	334
Travel	7
Office Supplies	723

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Other Charges	\$ 295	
Total Administration		\$ 107,389

Highway and Bridge Maintenance

Foremen	\$ 27,012	
Equipment Operators	84,647	
Truck Drivers	120,403	
Laborers	166,651	
Asphalt - Cold Mix	10,259	
Asphalt - Hot Mix	5,617	
Asphalt - Liquid	240,098	
Concrete	432	
Crushed Stone	135,050	
Ice	451	
Other Road Supplies	614	
Pipe - Metal	9,580	
Road Signs	1,447	
Salt	912	
Wood Products	5,460	
Other Supplies and Materials	71	
Total Highway and Bridge Maintenance		808,704

Operation and Maintenance of Equipment

Mechanic(s)	\$ 44,288	
Licenses	17	
Maintenance & Repair Services - Equipment	13,808	
Maintenance & Repair Services - Vehicles	6,699	
Diesel Fuel	84,340	
Equipment and Machinery Parts	33,219	
Garage Supplies	11,056	
Gasoline	45,658	
Lubricants	2,695	
Small Tools	971	
Tires and Tubes	19,665	
Vehicle Parts	35,773	
Total Operation and Maintenance of Equipment		298,189

Other Charges

Communication	\$ 3,030
Contracts with Private Agencies	1,085

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Pest Control	\$	240	
Rentals		832	
Custodial Supplies		713	
Drugs and Medical Supplies		515	
Electricity		2,844	
Water and Sewer		478	
Other Supplies and Materials		788	
Premiums on Corporate Surety Bonds		270	
Trustee's Commission		13,115	
Vehicle and Equipment Insurance		13,750	
Other Charges		1,891	
Total Other Charges			\$ 39,551

Employee Benefits

Social Security	\$	31,326	
Life Insurance		4,380	
Medical Insurance		76,966	
Unemployment Compensation		6,165	
Employer Medicare		7,326	
Laundry Service		4,646	
Workers' Compensation Insurance		27,979	
Total Employee Benefits			158,788

Capital Outlay

Engineering Services	\$	12,018	
Bridge Construction		132,471	
Highway Equipment		28,930	
Office Equipment		840	
State Aid Projects		199,810	
Total Capital Outlay			374,069

Total Highway/Public Works Fund \$ 1,786,690

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	22,694	
Principal on Notes		200,427	
Principal on Other Loans		109,000	
Total General Government			\$ 332,121

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Principal on Debt (Cont.)</u>			
<u>Education</u>			
Principal on Other Loans	\$ 243,000		
Total Education		\$ 243,000	
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Bonds	\$ 14,975		
Interest on Notes	14,993		
Interest on Other Loans	<u>98,976</u>		
Total General Government			128,944
<u>Education</u>			
Interest on Other Loans	\$ <u>330,473</u>		
Total Education			330,473
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$ <u>10,696</u>		
Total General Government			<u>10,696</u>
Total General Debt Service Fund			\$ 1,045,234
<u>General Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Industrial Development</u>			
Building Improvements	\$ <u>24,972</u>		
Total Industrial Development		\$ 24,972	
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Building Construction	\$ <u>69,731</u>		
Total Public Health and Welfare Projects			<u>69,731</u>
Total General Capital Projects Fund			94,703
<u>Other Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Housing and Urban Development</u>			
Other Construction	\$ <u>170,763</u>		
Total Housing and Urban Development		\$ <u>170,763</u>	
Total Other Capital Projects Fund			<u>170,763</u>
Total Governmental Funds - Primary Government			<u>\$ 6,817,067</u>

Exhibit J-8

Houston County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Houston County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	2,658,303	
Career Ladder Program		51,500	
Career Ladder Extended Contracts		49,883	
Homebound Teachers		2,541	
Educational Assistants		103,376	
Other Salaries & Wages		7,836	
Certified Substitute Teachers		500	
Non-certified Substitute Teachers		32,528	
Social Security		171,565	
State Retirement		150,500	
Life Insurance		3,303	
Medical Insurance		167,596	
Unemployment Compensation		3,814	
Employer Medicare		40,124	
Other Contracted Services		19,863	
Instructional Supplies and Materials		60,138	
Textbooks		75,145	
Other Supplies and Materials		6,296	
Other Charges		2,411	
Regular Instruction Equipment		49,760	
Total Regular Instruction Program			\$ 3,656,982

Special Education Program

Teachers	\$	281,350	
Career Ladder Program		5,000	
Homebound Teachers		1,260	
Educational Assistants		20,423	
Other Salaries & Wages		32,000	
Non-certified Substitute Teachers		4,150	
Social Security		20,093	
State Retirement		15,886	
Medical Insurance		27,391	
Unemployment Compensation		695	
Employer Medicare		4,699	
Other Supplies and Materials		789	
Total Special Education Program			413,736

Vocational Education Program

Teachers	\$	165,486	
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(Continued)

Exhibit J-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	
Non-certified Substitute Teachers		2,750	
Social Security		9,493	
State Retirement		9,212	
Medical Insurance		15,607	
Unemployment Compensation		191	
Employer Medicare		2,220	
Instructional Supplies and Materials		1,994	
Other Supplies and Materials		468	
Other Charges		350	
Vocational Instruction Equipment		1,312	
Total Vocational Education Program			\$ 211,083

Support Services

Attendance

Supervisor/Director	\$	26,142	
Career Ladder Program		500	
Social Security		1,630	
Unemployment Compensation		45	
Employer Medicare		381	
Travel		245	
Total Attendance			28,943

Health Services

Medical Personnel	\$	3,654	
Social Security		227	
Unemployment Compensation		20	
Employer Medicare		53	
Travel		40	
Other Supplies and Materials		143	
Total Health Services			4,137

Other Student Support

Guidance Personnel	\$	103,179	
School Resource Officer		12,000	
Social Security		6,109	
State Retirement		5,675	
Medical Insurance		8,402	
Unemployment Compensation		157	

(Continued)

Exhibit J-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.)

Other Student Support (Cont.)

Employer Medicare	\$	1,429	
Evaluation and Testing		11,514	
Other Supplies and Materials		148	
Total Other Student Support			\$ 148,613

Regular Instruction Program

Supervisor/Director	\$	88,592	
Career Ladder Program		2,000	
Librarians		138,033	
Instructional Computer Personnel		53,513	
Social Security		16,281	
State Retirement		12,330	
Medical Insurance		22,101	
Unemployment Compensation		270	
Employer Medicare		3,808	
Travel		1,684	
Library Books/Media		5,000	
In Service/Staff Development		10,357	
Total Regular Instruction Program			353,969

Alternative Instruction Program

Supervisor/Director	\$	38,635	
Career Ladder Program		1,000	
Social Security		2,038	
State Retirement		2,152	
Medical Insurance		6,201	
Unemployment Compensation		43	
Employer Medicare		477	
Travel		343	
Other Supplies and Materials		1,179	
In Service/Staff Development		85	
Total Alternative Instruction Program			52,153

Special Education Program

Supervisor/Director	\$	55,141	
Career Ladder Program		1,000	
Psychological Personnel		36,815	
Secretary(ies)		25,600	
Clerical Personnel		13,177	

(Continued)

Exhibit J-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.)

Social Security	\$	7,998	
State Retirement		5,113	
Medical Insurance		3,588	
Unemployment Compensation		147	
Employer Medicare		1,870	
Travel		672	
Other Contracted Services		1,797	
Other Supplies and Materials		69	
Other Charges		136	
Total Special Education Program			\$ 153,123

Vocational Education Program

Travel	\$	388	
Total Vocational Education Program			388

Board of Education

Board and Committee Members Fees	\$	5,100	
Social Security		316	
Unemployment Compensation		5	
Employer Medicare		74	
Audit Services		2,650	
Dues and Memberships		7,214	
Legal Services		2,212	
Travel		377	
Other Contracted Services		1,250	
Liability Insurance		99,388	
Trustee's Commission		36,495	
Workers' Compensation Insurance		55,036	
In Service/Staff Development		2,013	
Criminal Investigation of Applicants - TBI		2,736	
Other Charges		5,889	
Total Board of Education			220,755

Director of Schools

County Official/Administrative Officer	\$	78,030	
Career Ladder Program		1,000	
Social Security		4,745	
State Retirement		4,697	
Unemployment Compensation		21	

(Continued)

Exhibit J-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.)

Director of Schools (Cont.)

Employer Medicare	\$	1,110	
Communication		8,266	
Postal Charges		1,611	
Travel		856	
Total Director of Schools			\$ 100,336

Office of the Principal

Principals	\$	235,565	
Career Ladder Program		7,000	
Assistant Principals		73,492	
Secretary(ies)		84,565	
Clerical Personnel		30,106	
Social Security		25,692	
State Retirement		17,383	
Medical Insurance		16,062	
Unemployment Compensation		560	
Employer Medicare		6,009	
Communication		9,131	
Total Office of the Principal			505,565

Fiscal Services

Accountants/Bookkeepers	\$	26,375	
Secretary(ies)		20,000	
Clerical Personnel		31,684	
Social Security		4,798	
Unemployment Compensation		108	
Employer Medicare		1,122	
Maintenance & Repair Services - Equipment		40	
Travel		19	
Other Contracted Services		7,745	
Data Processing Supplies		1,635	
Office Supplies		4,212	
Other Supplies and Materials		414	
Other Charges		121	
Administration Equipment		1,051	
Total Fiscal Services			99,324

Operation of Plant

Guards	\$	29,708	
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(Continued)

Exhibit J-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.)

Custodial Personnel	\$	146,209	
Other Salaries & Wages		28,927	
Social Security		12,676	
Unemployment Compensation		778	
Employer Medicare		2,965	
Rentals		6,000	
Disposal Fees		3,772	
Other Contracted Services		4,226	
Custodial Supplies		16,054	
Electricity		275,183	
Natural Gas		92,726	
Water and Sewer		50,846	
Other Supplies and Materials		289	
Boiler Insurance		3,286	
Plant Operation Equipment		235	
Total Operation of Plant			\$ 673,880

Maintenance of Plant

Maintenance Personnel	\$	84,909	
Social Security		5,240	
Unemployment Compensation		197	
Employer Medicare		1,226	
Maintenance & Repair Services - Buildings		27,107	
Maintenance & Repair Services - Equipment		27,857	
Other Supplies and Materials		3,100	
Maintenance Equipment		130	
Total Maintenance of Plant			149,766

Transportation

Supervisor/Director	\$	27,856	
Mechanic(s)		20,532	
Bus Drivers		137,789	
Other Salaries & Wages		15,436	
Social Security		12,484	
Unemployment Compensation		569	
Employer Medicare		2,920	
Communication		1,402	
Maintenance & Repair Services - Vehicles		7,061	
Medical and Dental Services		1,516	

(Continued)

Exhibit J-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.)

Travel	\$	476	
Other Contracted Services		2,416	
Gasoline		73,807	
Lubricants		3,281	
Tires and Tubes		8,700	
Vehicle Parts		37,368	
Other Supplies and Materials		3,188	
Other Charges		220	
Transportation Equipment		29,171	
Total Transportation			\$ 386,192

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	26,375	
Social Security		1,632	
Unemployment Compensation		36	
Employer Medicare		382	
Total Food Service			28,425

Community Services

Supervisor/Director	\$	16,500	
Other Salaries & Wages		4,251	
Social Security		1,287	
Unemployment Compensation		67	
Employer Medicare		301	
Travel		324	
Instructional Supplies and Materials		597	
Other Supplies and Materials		1,975	
Other Charges		42	
Total Community Services			25,344

Early Childhood Education

Teachers	\$	52,568	
Educational Assistants		12,980	
Non-certified Substitute Teachers		560	
Social Security		4,045	
State Retirement		2,891	
Medical Insurance		2,674	
Unemployment Compensation		40	

(Continued)

Exhibit J-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Early Childhood Education (Cont.)</u>		
Employer Medicare	\$	946
Travel		309
Instructional Supplies and Materials		31,076
In Service/Staff Development		259
Other Charges		272
Other Equipment		<u>33,977</u>
Total Early Childhood Education	\$	142,597
<u>Capital Outlay</u>		
<u>Regular Capital Outlay</u>		
Building Improvements	\$	<u>22,000</u>
Total Regular Capital Outlay		22,000
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Notes	\$	<u>19,166</u>
Total Education		19,166
<u>Interest on Debt</u>		
<u>Education</u>		
Interest on Notes	\$	<u>1,691</u>
Total Education		1,691
<u>Other Debt Service</u>		
<u>Education</u>		
Debt Service Contribution to Primary Government	\$	<u>400,000</u>
Total Education		<u>400,000</u>
Total General Purpose School Fund	\$	7,798,168
<u>School Federal Projects Fund</u>		
<u>Instruction</u>		
<u>Regular Instruction Program</u>		
Teachers	\$	169,914
Educational Assistants		72,640
Other Salaries & Wages		7,000
Certified Substitute Teachers		718
Social Security		14,706
State Retirement		9,730

(Continued)

Exhibit J-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.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	14,225	
Unemployment Compensation		482	
Employer Medicare		3,439	
Other Contracted Services		4,295	
Instructional Supplies and Materials		20,553	
Other Supplies and Materials		1,483	
Regular Instruction Equipment		8,640	
Total Regular Instruction Program			\$ 327,825

Special Education Program

Teachers	\$	106,105	
Educational Assistants		106,135	
Other Salaries & Wages		3,320	
Certified Substitute Teachers		430	
Non-certified Substitute Teachers		5,182	
Social Security		13,560	
State Retirement		5,836	
Medical Insurance		3,249	
Unemployment Compensation		682	
Employer Medicare		3,171	
Contracts with Private Agencies		41,755	
Instructional Supplies and Materials		3,727	
Other Supplies and Materials		3,565	
Special Education Equipment		5,248	
Total Special Education Program			301,965

Vocational Education Program

Instructional Supplies and Materials	\$	15,990	
Vocational Instruction Equipment		9,696	
Total Vocational Education Program			25,686

Support Services

Regular Instruction Program

Supervisor/Director	\$	27,935	
Accountants/Bookkeepers		12,111	
Social Security		2,479	
State Retirement		1,536	
Unemployment Compensation		72	
Employer Medicare		580	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Contracted Services	\$	16,564	
Other Supplies and Materials		1,553	
In Service/Staff Development		4,516	
Other Charges		3,814	
Total Regular Instruction Program			\$ 71,160

Special Education Program

Consultants	\$	612	
Travel		952	
Other Supplies and Materials		438	
In Service/Staff Development		4,256	
Other Charges		41	
Total Special Education Program			6,299

Vocational Education Program

Travel	\$	7,000	
In Service/Staff Development		1,500	
Other Charges		700	
Total Vocational Education Program			9,200

Total School Federal Projects Fund \$ 742,135

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	239,325	
Social Security		14,791	
Unemployment Compensation		824	
Employer Medicare		3,459	
Communication		1,182	
Maintenance & Repair Services - Equipment		15,460	
Transportation - Other than Students		4,704	
Travel		1,412	
Other Contracted Services		9,037	
Food Supplies		276,208	
Other Supplies and Materials		33,608	
In Service/Staff Development		1,925	
Other Charges		3,571	
Food Service Equipment		32,854	
Total Food Service			\$ 638,360

Total Central Cafeteria Fund 638,360

Total Governmental Funds - Houston County School Department \$ 9,178,663

Exhibit J-9

Houston County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2006

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 368,719
Total Cash Receipts	<u>\$ 368,719</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 365,032
Trustee's Commission	<u>3,687</u>
Total Cash Disbursements	<u>\$ 368,719</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2005	<u>0</u>
Cash Balance, June 30, 2006	<u><u>\$ 0</u></u>

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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

October 12, 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, 2006, which collectively comprise Houston County's basic financial statements and have issued our report thereon dated October 12, 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 06.01, 06.03, 06.04, 06.05, 06.08, and 06.09.

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.

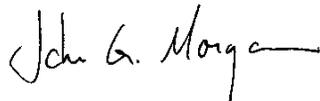
#### Compliance and Other Matters

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 06.02, 06.06, and 06.07.

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/yu



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

October 12, 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, 2006. 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, 2006.

#### 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, 2006, and have issued our report thereon dated October 12, 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/yu

Houston County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

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	N/A	\$ 51,728
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	92,238
National School Lunch Program	10.555	N/A	251,270
Total U.S. Department of Agriculture			<u>\$ 395,236</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-12018-00	\$ 143,989
Total U.S. Department of Housing and Urban Development			<u>\$ 143,989</u>
U.S. Department of Labor:			
Passed-through Workforce Essentials, Inc.			
WIA Youth Activities	17.259	06-08-999-083-Youth	\$ 19,100
Total U.S. Department of Labor			<u>\$ 19,100</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 275,767
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	293,773
Special Education - Preschool Grants	84.173	N/A	14,491
Vocational Education - Basic Grants to States	84.048	N/A	34,885
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	11,472
State Grants for Innovative Programs	84.298	N/A	4,644
Education Technology State Grants	84.318	(2)	5,251
Rural Education	84.358	N/A	46,838
Improving Teacher Quality State Grants	84.367	N/A	55,014
Hurricane Education Recovery	84.938	(2)	5,420
Total U.S. Department of Education			<u>\$ 747,555</u>
U.S. Election Assistance Commission:			
Passed-through State Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-06-032957-00	\$ 76,500
Total U.S. Election Assistance Commission			<u>\$ 76,500</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022456-00	\$ 14,969
Total U.S. Department of Homeland Security			<u>\$ 14,969</u>
Total Expenditures of Federal Awards			<u>\$ 1,397,349</u>
		<u>Contract Number</u>	
State Grants:			
Litter Program - State Department of Transportation	N/A	(3)	\$ 33,783
State Reappraisal - Comptroller of the Treasury	N/A	(2)	3,774
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	Z06002608-00	9,000
Local Health Services - State Department of Health	N/A	(4)	4,462
Transportation Enhancement Program (Ferry Operations) - State Department of Transportation	N/A	(2)	9,000
High Schools that Work - State Department of Education	N/A	Z-05-021138-00	4,475
Family Resource Center - State Department of Education	N/A	Z-05-21443-00	4,681

(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	Contract Number	Expenditures
State Grants (Cont.):			
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011293-0	\$ 6,200
Waste Reduction Grant - State Department of Environment and Conservation	N/A	Z-04-018165-00	<u>31,479</u>
Total State Grants			<u>\$ 106,854</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) Z05021511: \$7,653; Z06027972: \$26,130
- (4) Z05020572: \$2,244; Z06026024: \$2,218

Houston County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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, 2005, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	146	A formal purchase order system had not been established

**OFFICE OF ROAD SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.05	148	Purchase orders were not issued for some applicable purchases

**OFFICE OF COUNTY CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.07	149	Collections were not deposited intact

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.08 (C)	149	The office had deficiencies in its commissary accounts

## OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.10	150	A central system of accounting, budgeting, and purchasing had not been adopted
05.11	151	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, 2006**

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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 control. 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), the Community Development Block Grants/State's Program (CFDA No. 14.228), and the Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold 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. The written response of the director of schools is included in this report. Other 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 06.01      **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 06.02      **THE COUNTY ENTERED INTO A LEASE-PURCHASE AGREEMENT WITHOUT THE PRIOR APPROVAL OF THE COUNTY COMMISSION**  
(Noncompliance Under Government Auditing Standards)

On January 31, 2006, the county entered into a lease-purchase agreement for four Sheriff's Department vehicles (\$100,380); however, the County Commission did not approve the lease-purchase agreement until March 20, 2006. Section 7-51-904, Tennessee Code Annotated, requires lease-purchase agreements to first be approved by the County Commission.

### RECOMMENDATION

Lease-purchase agreements should be approved by the County Commission as required by state statute.

**OFFICE OF ROAD SUPERINTENDENT**

**FINDING 06.03      **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 department 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.

---

**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 06.04      **APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS****  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The budget and subsequent amendments submitted to and approved by the Board of Education and the County Commission for the School Federal Projects Fund resulted in appropriations exceeding estimated available funding by \$136,131.

**RECOMMENDATION**

Appropriations that exceed estimated available funds should not be submitted to or approved by the Board of Education and the County Commission.

**MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS (DIRECT QUOTE)**

Federal Projects carryover money was re-budgeted into expenditures. Although the carryover money was reflected in FACTS and in federal reserves, it was inadvertently excluded from budgeted revenues. This resulted in appropriations exceeding available funding. This has been rectified in the 2006-07 budget year.

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**OFFICE OF COUNTY CLERK**

**FINDING 06.05**      **COLLECTIONS WERE NOT DEPOSITED INTACT**  
(Internal Control – Reportable Condition 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. In addition, the clerk deposited checks randomly and did not maintain a set amount of cash on hand. 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 GENERAL SESSIONS COURT CLERK**

**FINDING 06.06**      **THE OFFICE DID NOT PREPARE AND FILE AN ANNUAL FINANCIAL REPORT**  
(Noncompliance Under Government Auditing Standards)

The Office of General Sessions Court Clerk did not prepare and file an annual financial report with the county mayor and county clerk. Section 5-8-505, Tennessee Code Annotated, requires that, “all appointive or elective county public officials, official county boards, committees, and commissions ... having in their charge and custody public funds or moneys are required to file with the county mayor and with the county clerk ... an annual financial report ....”

**RECOMMENDATION**

The office should prepare and file an annual financial report with the county mayor and county clerk as required by state statute.

**OFFICE OF SHERIFF**

**FINDING 06.07      PROFITS FROM THE COMMISSARY OPERATIONS WERE NOT REMITTED ON A MONTHLY BASIS**  
(Noncompliance Under Government Auditing Standards)

Profits from the commissary operations were not remitted to the county trustee on a monthly basis. Section 8-24-103, Tennessee Code Annotated, requires all fees earned, which include profits of the jail commissary, to be remitted to the county on a monthly basis.

**RECOMMENDATION**

The sheriff should remit commissions earned on commissary operations to the county trustee monthly.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.08      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 06.09      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 properly segregate 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, 2006**

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.