
ANNUAL FINANCIAL REPORT HOUSTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2009



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ANNUAL FINANCIAL REPORT
HOUSTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2009

DEPARTMENT OF AUDIT
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State Auditors

This financial report is available at www.tn.gov/comptroller

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Audit Highlights
Annual Financial Report
Houston County, Tennessee
For the Year Ended June 30, 2009

Scope

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2009.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements do 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 eight findings and recommendations, which we have reviewed with Houston County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

HOUSTON COUNTY AND HOUSTON COUNTY SCHOOL DEPARTMENT

- ◆ Houston County and the Houston County School Department do not have the resources to produce financial statements and notes to the financial statements.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

- ◆ The General, Highway/Public Works, and General Debt Service funds required material audit adjustments for proper financial statement presentation.

OFFICE OF COUNTY MAYOR

- ◆ A formal purchase order system had not been established.
 - ◆ The Ambulance Service issued generic receipts in-lieu-of official receipts.
-

OFFICE OF TRUSTEE

- ◆ Deficiencies were noted with securities pledged as collateral.
-

OFFICE OF COUNTY CLERK

- ◆ The clerk did not deposit collections intact; i.e., funds collected during a specific time were not deposited together. In addition, the clerk did not maintain a set amount of cash on hand.
-

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 County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.

INTRODUCTORY SECTION

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Houston County Officials
June 30, 2009

Officials

George Clark, County Mayor
Jimmy Felts, Road Superintendent
Cathy Harvey, Director of Schools
Jimmy Lowery, Trustee
Tyanne Morrison, Assessor of Property
Robert Brown, County Clerk
Sharon Tomlinson, Circuit, General Sessions, and Juvenile Courts Clerk
Patsy Brooks, Clerk and Master
Sherrill Moore, Register
Kennith Barnes, Sheriff

Board of County Commissioners

George Clark, County Mayor, Chairman
William Agy
Charles Arnold, Jr.
Glen Baggett
Sammie Bass, Jr.
Nelda Ellingson
Ray Elliott
Randall French

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

Board of Education

Tommy Beechum, Chairman
Kendall Coleman
Sandy Harvey
Charlie Ligon

Robert Mitchell
Carlisle 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
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INDEPENDENT AUDITOR'S REPORT

February 18, 2010

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, 2009, which collectively comprise Houston County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Houston County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

In our opinion, except for the effects of not including the financial statements of the Houston County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Houston County, Tennessee, at June 30, 2009, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Tennessee, as of June 30, 2009, 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 February 18, 2010, on our consideration of Houston County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Houston County has implemented the provisions of Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

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, pension, and other postemployment benefits information on pages 63 through 67 are not required parts of the basic financial statements but they do provide 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 black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Houston County, Tennessee
Statement of Net Assets
June 30, 2009

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Houston County School Department</u>
<u>ASSETS</u>		
Cash	\$ 7,448	\$ 0
Equity in Pooled Cash and Investments	2,728,516	2,935,707
Accounts Receivable	663,657	0
Allowance for Uncollectibles	(291,069)	0
Due from Other Governments	288,802	243,273
Due from Component Unit	54	0
Property Taxes Receivable	2,404,426	724,060
Allowance for Uncollectible Property Taxes	(67,565)	(20,346)
Capital Assets:		
Assets Not Depreciated:		
Land	696,965	333,220
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,382,942	8,416,125
Infrastructure	251,557	0
Other Capital Assets	1,234,830	1,090,041
Total Assets	<u>\$ 10,300,563</u>	<u>\$ 13,722,080</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 15,442	\$ 46,417
Payroll Deductions Payable	0	71,043
Accrued Interest Payable	11,227	0
Deferred Revenue - Current Property Taxes	2,169,626	653,353
Noncurrent Liabilities:		
Due Within One Year	582,109	0
Due in More Than One Year	11,827,794	70,230
Total Liabilities	<u>\$ 14,606,198</u>	<u>\$ 841,043</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 1,025,235	\$ 0
Invested in Capital Assets	0	9,839,386
Restricted for:		
Solid Waste/Sanitation	190,473	0
Highway/Public Works	663,598	0
Central Cafeteria	0	263,338
Debt Service	1,305,121	0
Other Purposes	99,894	45,346
Unrestricted	<u>(7,589,956)</u>	<u>2,732,967</u>
Total Net Assets	<u>\$ (4,305,635)</u>	<u>\$ 12,881,037</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, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Primary Government			Component Unit		Houston County School Department
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Primary Government:						
Governmental Activities:						
General Government	\$ 519,770	\$ 81,163	\$ 14,912	\$ 0	\$ (423,695)	\$ 0
Finance	334,044	198,586	3,850	0	(131,608)	0
Administration of Justice	329,227	143,559	9,000	0	(176,668)	0
Public Safety	1,328,403	133,462	140,793	0	(1,054,148)	0
Public Health and Welfare	1,096,278	493,437	58,209	0	(544,632)	0
Social, Cultural, and Recreational Services	243,680	0	2,000	0	(241,680)	0
Agriculture and Natural Resources	47,110	0	0	0	(47,110)	0
Other Operations	1,070,068	27,304	38,845	816,406	(187,513)	0
Highway/Public Works	1,488,057	27,066	1,234,213	0	(226,778)	0
Interest on Long-term Debt	259,861	0	431,500	0	171,639	0
Other Debt Service	9,257	0	0	0	(9,257)	0
Total Primary Government	\$ 6,725,755	\$ 1,104,577	\$ 1,933,322	\$ 816,406	\$ (2,871,450)	\$ 0
Component Unit:						
Houston County School Department	\$ 11,621,452	\$ 344,110	\$ 1,523,461	\$ 0	\$ 0	\$ (9,753,881)
Total Component Unit	\$ 11,621,452	\$ 344,110	\$ 1,523,461	\$ 0	\$ 0	\$ (9,753,881)

(Continued)

Exhibit B

Houston County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
				Government	Unit
	Expenses		Total Governmental Activities	Houston County School Department	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,132,074	\$ 669,445
Property Taxes Levied for Debt Service				90,966	0
Local Option Sales Taxes				93,707	481,334
Payments in-Lieu-of Taxes - Local Utilities				30,119	0
Wheel Tax				320,951	0
Litigation Tax - General				20,826	0
Wholesale Beer Tax				41,057	0
Other Local Taxes				24,657	24,820
Grants and Contributions Not Restricted to Specific Programs				114,218	8,239,066
Unrestricted Investment Income				0	99,618
Miscellaneous				44,685	31,125
Total General Revenues				\$ 2,913,260	\$ 9,545,408
Change in Net Assets				\$ 41,810	\$ (208,473)
Net Assets, July 1, 2008				(4,347,445)	13,089,510
Net Assets, June 30, 2009				\$ (4,305,635)	\$ 12,881,037

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

Houston County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,448	\$ 7,448
Equity in Pooled Cash and Investments	776,851	466,425	1,309,677	236	175,327	2,728,516	2,728,516
Accounts Receivable	663,600	0	20	0	37	663,657	663,657
Allowance for Uncollectibles	(291,069)	0	0	0	0	(291,069)	(291,069)
Due from Other Governments	58,566	225,702	0	0	4,534	288,802	288,802
Due from Other Funds	60	52	0	0	0	112	112
Due from Component Units	0	54	0	0	0	54	54
Property Taxes Receivable	2,117,535	13,661	95,630	0	177,600	2,404,426	2,404,426
Allowance for Uncollectible Property Taxes	(59,503)	(384)	(2,687)	0	(4,991)	(67,565)	(67,565)
Total Assets	\$ 3,266,040	\$ 705,510	\$ 1,402,640	\$ 236	\$ 359,955	\$ 5,734,381	\$ 5,734,381

LIABILITIES AND FUND BALANCES

Liabilities	\$ 3,647	\$ 11,795	\$ 0	\$ 0	\$ 0	\$ 15,442	\$ 15,442
Accounts Payable	52	0	0	0	60	112	112
Due to Other Funds	1,910,751	12,327	86,292	0	160,256	2,169,626	2,169,626
Deferred Revenue - Current Property Taxes	134,071	865	6,054	0	11,245	152,235	152,235
Deferred Revenue - Delinquent Property Taxes	335,771	110,231	0	0	4,341	450,343	450,343
Other Deferred Revenues	\$ 2,384,292	\$ 135,218	\$ 92,346	\$ 0	\$ 175,902	\$ 2,787,758	\$ 2,787,758
Total Liabilities	\$ 2,384,292	\$ 135,218	\$ 92,346	\$ 0	\$ 175,902	\$ 2,787,758	\$ 2,787,758
Fund Balances	\$ 56,040	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,040	\$ 56,040
Reserved for Resort District	16,962	0	0	0	0	16,962	16,962
Reserved for Alcohol and Drug Treatment	2,709	0	0	0	0	2,709	2,709
Reserved for Sexual Offender Registration							

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
\$	967	0	0	0	0	0	967
Reserved for Courtroom Security	8,516	0	0	0	0	0	8,516
Reserved for Computer System - Register	330	0	0	0	0	0	330
Reserved for Automation Purposes - Circuit Court	10,017	0	0	0	0	0	10,017
Reserved for Automation Purposes - General Sessions Court	322	0	0	0	0	0	322
Reserved for Automation Purposes - Juvenile Court	1,563	0	0	0	0	0	1,563
Reserved for Automation Purposes - Chancery Court	454	0	0	0	0	0	454
Unreserved, Reported In:							
General Fund	783,868	0	0	0	0	0	783,868
Special Revenue Funds	0	570,292	0	0	184,053	0	754,345
Debt Service Fund	0	0	1,310,294	0	0	0	1,310,294
Capital Projects Fund	0	0	0	236	0	0	236
Total Fund Balances	\$ 881,748	\$ 570,292	\$ 1,310,294	\$ 236	\$ 184,053	\$ 0	\$ 2,946,623
Total Liabilities and Fund Balances	\$ 3,266,040	\$ 705,510	\$ 1,402,640	\$ 236	\$ 359,955	\$ 0	\$ 5,734,381

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Courtroom Security
Reserved for Computer System - Register
Reserved for Automation Purposes - Circuit Court
Reserved for Automation Purposes - General Sessions Court
Reserved for Automation Purposes - Juvenile Court
Reserved for Automation Purposes - Chancery Court
Reserved for Automation Purposes - County Clerk
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Fund
Capital Projects Fund
Total Fund Balances

Total Liabilities and Fund Balances

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, 2009

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)		\$	2,946,623
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	696,965	
Add: buildings and improvements net of accumulated depreciation		2,382,942	
Add: infrastructure net of accumulated depreciation		251,557	
Add: other capital assets net of accumulated depreciation		<u>1,234,830</u>	4,566,294
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			602,578
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(652,629)	
Less: other loans payable		(10,959,200)	
Less: bonds payable		(223,230)	
Less: compensated absences payable		(17,790)	
Less: landfill closure/postclosure care costs		(557,054)	
Less: accrued interest on notes and bonds		<u>(11,227)</u>	<u>(12,421,130)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ (4,305,635)</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, 2009

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway /	General	General	Governmental	Other	Total	
		Public Works	Debt Service	Capital Projects				
Revenues								
Local Taxes	\$ 2,168,603	\$ 12,895	\$ 430,856	\$ 0	\$ 0	\$ 169,525	\$ 2,781,879	
Licenses and Permits	4,903	0	0	0	0	0	4,903	
Fines, Forfeitures, and Penalties	37,372	0	0	0	0	682	38,054	
Charges for Current Services	530,061	0	0	0	0	54,139	584,200	
Other Local Revenues	75,527	56,652	0	0	0	9,553	141,732	
Fees Received from County Officials	273,425	0	0	0	0	0	273,425	
State of Tennessee	243,821	1,242,731	61,080	12,353	38,710	1,598,695	1,598,695	
Federal Government	18,692	0	0	729,834	86,572	835,098	835,098	
Other Governments and Citizens Groups	92,848	0	431,500	0	0	0	524,348	
Total Revenues	\$ 3,445,252	\$ 1,312,278	\$ 923,436	\$ 742,187	\$ 359,181	\$ 6,782,334		
Expenditures								
Current:								
General Government	\$ 482,394	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	482,394	
Finance	268,350	0	0	0	0	54,626	322,976	
Administration of Justice	313,977	0	0	0	0	0	313,977	
Public Safety	1,134,278	0	0	0	0	1,000	1,135,278	
Public Health and Welfare	714,157	0	0	0	0	248,350	962,507	
Social, Cultural, and Recreational Services	190,506	0	0	0	0	0	190,506	
Agriculture and Natural Resources	43,371	0	0	0	0	0	43,371	
Other Operations	305,555	0	0	753,244	93,342	0	1,152,141	
Highways	0	1,379,094	0	0	0	0	1,379,094	
Debt Service:								
Principal on Debt	0	0	553,368	0	0	0	553,368	
Interest on Debt	0	0	262,876	0	0	0	262,876	
Other Debt Service	0	0	9,257	0	0	0	9,257	
Capital Projects	176,916	0	0	0	0	0	176,916	
Total Expenditures	\$ 3,629,504	\$ 1,379,094	\$ 825,501	\$ 753,244	\$ 397,318	\$ 6,984,661		

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	General Capital Projects	Other	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ (184,252)	\$ (66,816)	\$ 97,935	\$ (11,057)	\$ (38,137)	\$ (202,327)	
Other Financing Sources (Uses)							
Notes Issued	\$ 192,027	\$ 0	\$ 0	\$ 0	\$ 0	\$ 192,027	
Insurance Recovery	14,499	577	0	0	0	15,076	
Total Other Financing Sources (Uses)	\$ 206,526	\$ 577	\$ 0	\$ 0	\$ 0	\$ 207,103	
Net Change in Fund Balances	\$ 22,274	\$ (66,239)	\$ 97,935	\$ (11,057)	\$ (38,137)	\$ 4,776	
Fund Balance, July 1, 2008	859,474	636,531	1,212,359	11,293	222,190	2,941,847	
Fund Balance, June 30, 2009	\$ 881,748	\$ 570,292	\$ 1,310,294	\$ 236	\$ 184,053	\$ 2,946,623	

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

Exhibit C-4

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, 2009

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)		\$	4,776
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	141,863	
Less: current year depreciation expense		<u>(422,565)</u>	(280,702)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: net book value of assets disposed			(9,943)
(3) 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, 2009	\$	602,578	
Less: deferred delinquent property taxes and other deferred June 30, 2008		<u>(607,404)</u>	(4,826)
(4) The issuance of long-term debt (e.g. notes, other loans) 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	\$	(192,027)	
Add: principal payments on notes		97,595	
Add: principal payments on other loans		406,000	
Add: principal payments on capital leases		25,730	
Add: principal payments on bonds		<u>24,043</u>	361,341
(5) 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	\$	3,015	
Change in compensated absences payable		(4,493)	
Change in landfill closure/postclosure care costs		<u>(27,358)</u>	(28,836)
Change in net assets of governmental activities (Exhibit B)			<u>\$ 41,810</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, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 210,672
Investments	411
Due from Other Governments	<u>65,604</u>
Total Assets	<u>\$ 276,687</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 65,604
Due to Litigants, Heirs, and Others	<u>211,083</u>
Total Liabilities	<u>\$ 276,687</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, 2009

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.

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.

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.

General Capital Projects Fund – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, Houston County reports the following fund type:

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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 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 ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.54 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 one 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 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 department. 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. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded. No provisions exist for accruing annual leave.

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, landfill postclosure care costs, and other postemployment benefits, 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.

The government-wide Statement of Net Assets reports \$2,259,086 of restricted net assets, of which \$56,040 is restricted by enabling legislation.

As of June 30, 2009, Houston County had \$8,294,000 in outstanding debt for capital purposes for the discretely presented Houston County School Department. This 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

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 County 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/Executive, 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.

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. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government

sponsored enterprises; 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, 2009, Houston County had the following investment carried at fair value. This investment was made on behalf of litigants at the direction of a Circuit Court order and is reported in the Constitutional Officers - Agency Fund.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
AIM Aggressive Growth Fund	On Demand	\$ 411

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 assets activity for the year ended June 30, 2009, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 692,688	\$ 4,277	\$ 0	\$ 696,965
Total Capital Assets Not Depreciated	<u>\$ 692,688</u>	<u>\$ 4,277</u>	<u>\$ 0</u>	<u>\$ 696,965</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,257,978	\$ 32,037	\$ 0	\$ 3,290,015
Infrastructure	281,804	0	0	281,804
Other Capital Assets	4,138,209	105,549	(22,945)	4,220,813
Total Capital Assets Depreciated	<u>\$ 7,677,991</u>	<u>\$ 137,586</u>	<u>\$ (22,945)</u>	<u>\$ 7,792,632</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 831,856	\$ 75,217	\$ 0	\$ 907,073
Infrastructure	20,662	9,585	0	30,247
Other Capital Assets	2,661,222	337,763	(13,002)	2,985,983
Total Accumulated Depreciation	<u>\$ 3,513,740</u>	<u>\$ 422,565</u>	<u>\$ (13,002)</u>	<u>\$ 3,923,303</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,164,251</u>	<u>\$ (284,979)</u>	<u>\$ (9,943)</u>	<u>\$ 3,869,329</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,856,939</u>	<u>\$ (280,702)</u>	<u>\$ (9,943)</u>	<u>\$ 4,566,294</u>

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

Governmental Activities:

General Government	\$ 22,376
Finance	6,016
Administration of Justice	14,044
Public Safety	200,091
Public Health and Welfare	54,992
Social, Cultural, and Recreational Services	11,997
Agriculture and Natural Resources	3,725
Highway/Public Works	<u>109,324</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 422,565</u></u>

Discretely Presented Houston County School Department**Governmental Activities:**

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 333,220	\$ 0	\$ 0	\$ 333,220
Total Capital Assets Not Depreciated	<u>\$ 333,220</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 333,220</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,877,894	\$ 0	\$ 0	\$ 13,877,894
Other Capital Assets	2,279,107	204,163	(49,974)	2,433,296
Total Capital Assets Depreciated	<u>\$ 16,157,001</u>	<u>\$ 204,163</u>	<u>\$ (49,974)</u>	<u>\$ 16,311,190</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,146,629	\$ 315,140	\$ 0	\$ 5,461,769
Other Capital Assets	1,232,093	153,769	(42,607)	1,343,255
Total Accumulated Depreciation	<u>\$ 6,378,722</u>	<u>\$ 468,909</u>	<u>\$ (42,607)</u>	<u>\$ 6,805,024</u>
Total Capital Assets Depreciated, Net	<u>\$ 9,778,279</u>	<u>\$ (264,746)</u>	<u>\$ (7,367)</u>	<u>\$ 9,506,166</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 10,111,499</u></u>	<u><u>\$ (264,746)</u></u>	<u><u>\$ (7,367)</u></u>	<u><u>\$ 9,839,386</u></u>

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

Governmental Activities:

Instruction	\$ 210,230
Support Services	229,838
Operation of Non-Instructional Services	<u>28,841</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 468,909</u></u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 60
Highway/Public Works	General	52

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

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: Highway/Public Works	Component Unit: Emergency Communications District	 \$ 54

D. 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, 2009, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds	4 to 5 %	\$ 606,500	\$ 223,230
Capital Outlay Notes	3.29 to 5.34	886,987	652,629
Other Loans	variable	13,446,200	10,959,200

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, 2009, Houston County has drawn \$646,200 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, 2009, the variable interest rate was .33 percent for all loans. Other fees for the \$1,800,000 and \$10,000,000 loans totaled approximately .35 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 \$646,200 loans totaled approximately .3 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, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 24,034	\$ 10,434	\$ 34,468
2011	24,405	9,263	33,668
2012	24,794	8,074	32,868
2013	25,201	6,867	32,068
2014	25,626	5,642	31,268
2015-2018	99,170	9,504	108,674
Total	\$ 223,230	\$ 49,784	\$ 273,014

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 111,959	\$ 28,095	\$ 140,054
2011	108,210	23,282	131,492
2012	84,876	18,658	103,534
2013	67,065	14,941	82,006
2014	64,563	12,050	76,613
2015-2019	215,956	22,350	238,306
Total	\$ 652,629	\$ 119,376	\$ 772,005

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2010	\$ 427,000	\$ 40,736	\$ 62,188	\$ 529,924
2011	448,000	34,756	53,162	535,918
2012	471,000	33,278	50,958	555,236
2013	494,000	31,724	48,640	574,364
2014	518,000	30,093	46,210	594,303
2015-2019	3,008,000	123,043	190,156	3,321,199
2020-2024	3,525,200	70,100	110,353	3,705,653
2025-2027	2,068,000	13,639	22,756	2,104,395
Total	\$ 10,959,200	\$ 377,369	\$ 584,423	\$ 11,920,992

There is \$1,310,294 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$28, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$1,463, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:	Bonds	Notes	Capital Lease
Balance, July 1, 2008	\$ 247,273	\$ 558,197	\$ 25,730
Additions	0	192,027	0
Deductions	(24,043)	(97,595)	(25,730)
Balance, June 30, 2009	<u>\$ 223,230</u>	<u>\$ 652,629</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 24,034</u>	<u>\$ 111,959</u>	<u>\$ 0</u>

	Other Loans	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2008	\$ 11,365,200	\$ 13,297	\$ 529,696
Additions	0	21,751	27,358
Deductions	(406,000)	(17,258)	0
Balance, June 30, 2009	<u>\$ 10,959,200</u>	<u>\$ 17,790</u>	<u>\$ 557,054</u>
Balance Due Within One Year	<u>\$ 427,000</u>	<u>\$ 890</u>	<u>\$ 18,226</u>

Compensated absences 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, 2009	\$ 12,409,903
Less: Balance Due Within One Year	<u>(582,109)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,827,794</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, 2009, was as follows:

Governmental Activities:	<u>Other Postemployment Benefits</u>
Balance, July 1, 2008	\$ 31,809
Additions	60,951
Deductions	<u>(22,530)</u>
Balance, June 30, 2009	<u>\$ 70,230</u>
Balance Due Within One Year	<u>\$ 0</u>

Other postemployment benefits will be paid from the General Purpose School Fund.

E. Pledges of Future Revenues

Component Unit Revenues Pledged for Primary Government Debt

The Houston County School Department has pledged to pay \$400,000 annually from its future revenues to the primary government's General Debt Service Fund to be applied toward the retirement of certain school debt. The related debt was issued by the primary government for the construction of a high school and is payable through 2027. Total principal, interest, and other fees remaining on the debt is approximately \$9,048,764 with annual requirements ranging from approximately \$364,478 in the next fiscal year to \$682,249 in the final year. For the current year, principal, interest, and other fees paid by the county and the appropriation by the School Department were \$448,132 and \$400,000, respectively.

F. On-Behalf Payments – Discretely Presented Houston County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Houston County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2009, were \$20,049 and \$6,730, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

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; however, retirees are not allowed to participate in the health insurance plan. 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 (TCA), 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 Houston County School Department participates in the Local Education Group Insurance Fund (LEGIF), which is a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the

state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

Workers' Compensation, Liability, Property, and Casualty

The School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Houston County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Houston County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Houston County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Houston County could have endowment investments in subsequent years.

C. Subsequent Events

On July 9, 2009, Houston County issued \$70,000 in capital outlay notes for airport maintenance and repairs.

On July 28, 2009, Houston County issued \$100,000 in capital outlay notes to purchase equipment for the Fire Department.

D. Contingent Liabilities

The county is involved in several 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.

The attorney for the county's insurance provider has advised that the discretely presented School Department is a defendant in two matters of litigation. The attorney states that the School Department is fully insured for these occurrences, and he is of the opinion that the defendant will prevail.

E. Landfill Postclosure Care Costs

Houston County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Houston County closed its sanitary landfill in 1993. The \$557,054 reported as postclosure care liability at June 30, 2009, represents amounts based on what it would cost to perform all postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Jointly Governed Organization

Houston and Stewart counties jointly own an industrial park operated by the Houston-Stewart County Industrial Park Board. The board includes seven members. The Houston County 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 and Houston counties. 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, 2009.

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.tn.gov/treasury/tcrs.

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, 2009, was 6.42 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, 2009, 2008, and 2007, were \$327,550, \$319,661, and \$294,420, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

The Houston County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated for teachers and support personnel. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. Retirees' contributions vary depending on the insurance options they select. During the year ended June 30, 2009, the Houston County School Department contributed \$21,137 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 59,520
Interest on the NPO	1,431
Adjustment to the ARC	<u>(1,393)</u>
Annual OPEB cost	\$ 59,558
Less: Amount of contribution	<u>(21,137)</u>
Increase/decrease in NPO	\$ 38,421
Net OPEB obligation, 7-1-08	<u>31,809</u>
Net OPEB obligation, 6-30-09	<u><u>\$ 70,230</u></u>

Fiscal Year Ended*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>		<hr/>	<hr/>	<hr/>
6-30-08	Local Education Group	\$ 58,777	46%	\$ 31,809
6-30-09	"	59,558	35	70,230

* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-07
Actuarial accrued liability (AAL)	\$ 520,414
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 520,414
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,833,423
UAAL as a % of covered payroll	18%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level of percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

I. Purchasing Laws

Office of County Mayor

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), govern purchasing procedures for the general county government. These statutes provide for purchases exceeding \$10,000 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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,168,603	\$ 2,082,600	\$ 2,032,600	\$ 136,003
Licenses and Permits	4,903	2,500	2,500	2,403
Fines, Forfeitures, and Penalties	37,372	37,350	37,350	22
Charges for Current Services	530,061	563,700	563,700	(33,639)
Other Local Revenues	75,527	44,300	44,300	31,227
Fees Received from County Officials	273,425	278,000	278,000	(4,575)
State of Tennessee	243,821	233,637	411,154	(167,333)
Federal Government	18,692	73,588	76,846	(58,154)
Other Governments and Citizens Groups	92,848	93,000	93,000	(152)
Total Revenues	\$ 3,445,252	\$ 3,408,675	\$ 3,539,450	\$ (94,198)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 34,612	\$ 41,970	\$ 41,970	\$ 7,358
Board of Equalization	882	1,724	1,724	842
Budget and Finance Committee	4,145	4,308	4,308	163
County Mayor/Executive	132,977	143,652	143,652	10,675
County Attorney	17,843	18,343	18,343	500
Election Commission	118,262	140,420	140,420	22,158
Register of Deeds	84,106	92,397	92,397	8,291
Building	4,832	7,500	7,500	2,668
Geographical Information Systems	0	0	62,340	62,340
County Buildings	62,611	70,250	70,250	7,639
Other General Administration	22,124	24,000	24,000	1,876
Preservation of Records	0	1,500	1,500	1,500
<u>Finance</u>				
Central Services	10,591	12,258	12,258	1,667
Property Assessor's Office	82,292	88,987	88,987	6,695
Reappraisal Program	7,425	8,337	8,337	912
County Trustee's Office	93,942	109,336	109,336	15,394
County Clerk's Office	74,100	87,549	87,549	13,449
<u>Administration of Justice</u>				
Circuit Court	114,531	126,952	131,952	17,421
General Sessions Judge	54,618	54,725	54,725	107
Chancery Court	84,500	85,377	89,277	4,777
Juvenile Court	44,679	50,444	50,444	5,765
District Attorney General	2,585	2,585	2,585	0
Judicial Commissioners	13,064	13,189	13,189	125
Other Administration of Justice	0	5,000	5,000	5,000
<u>Public Safety</u>				
Sheriff's Department	465,369	454,798	484,128	18,759
Drug Enforcement	1,610	3,000	3,000	1,390
Administration of the Sexual Offender Registry	1,300	2,080	2,080	780
Jail	410,426	437,706	441,446	31,020
Fire Prevention and Control	62,297	69,268	138,598	76,301
Civil Defense	15,516	21,379	24,637	9,121
Disaster Relief	19,041	55,588	55,588	36,547

(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>				
Other Emergency Management	\$ 146,819	\$ 151,361	\$ 151,361	\$ 4,542
County Coroner/Medical Examiner	11,900	18,000	18,000	6,100
<u>Public Health and Welfare</u>				
Local Health Center	30,759	34,697	32,362	1,603
Ambulance/Emergency Medical Services	593,294	645,418	645,418	52,124
Alcohol and Drug Programs	2,335	0	43,056	40,721
Other Local Health Services	34,987	48,600	58,700	23,713
General Welfare Assistance	21,215	23,690	23,690	2,475
Sanitation Education/Information	31,567	34,237	34,237	2,670
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	48,640	48,640	48,640	0
Libraries	107,466	115,556	115,556	8,090
Other Social, Cultural, and Recreational	34,400	34,400	34,400	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	34,986	35,474	35,474	488
Soil Conservation	8,385	11,544	11,544	3,159
<u>Other Operations</u>				
Tourism	18,459	41,293	41,293	22,834
Other Economic and Community Development	62,857	79,236	79,236	16,379
Public Transportation	21,438	8,833	24,448	3,010
Airport	4,695	21,600	21,600	16,905
Veterans' Services	2,665	2,686	2,686	21
Other Charges	538	0	538	0
Contributions to Other Agencies	58,222	48,222	58,222	0
Employee Benefits	35,512	62,000	62,000	26,488
Payments to Cities	6,363	9,500	9,500	3,137
Miscellaneous	94,806	111,000	119,000	24,194
<u>Principal on Debt</u>				
General Government	0	400,000	400,000	400,000
<u>Interest on Debt</u>				
General Government	0	12,500	12,500	12,500
<u>Capital Projects</u>				
General Administration Projects	605	12,000	12,000	11,395
Public Health and Welfare Projects	104,577	0	107,027	2,450
Other General Government Projects	71,734	0	245,000	173,266
Total Expenditures	\$ 3,629,504	\$ 4,245,109	\$ 4,859,008	\$ 1,229,504
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (184,252)	\$ (836,434)	\$ (1,319,558)	\$ 1,135,306
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 192,027	\$ 400,000	\$ 762,027	\$ (570,000)
Insurance Recovery	14,499	0	0	14,499
Total Other Financing Sources (Uses)	\$ 206,526	\$ 400,000	\$ 762,027	\$ (555,501)
Net Change in Fund Balance				
Fund Balance, July 1, 2008	\$ 22,274	\$ (436,434)	\$ (557,531)	\$ 579,805
	859,474	686,785	686,785	172,689
Fund Balance, June 30, 2009				
	\$ 881,748	\$ 250,351	\$ 129,254	\$ 752,494

Exhibit E-2

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 12,895	\$ 10,490	\$ 10,490	\$ 2,405
Fines, Forfeitures, and Penalties	0	100	100	(100)
Other Local Revenues	56,652	60,000	60,000	(3,348)
State of Tennessee	1,242,731	1,661,288	1,661,288	(418,557)
Total Revenues	<u>\$ 1,312,278</u>	<u>\$ 1,731,878</u>	<u>\$ 1,731,878</u>	<u>\$ (419,600)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 115,648	\$ 128,630	\$ 128,630	\$ 12,982
Highway and Bridge Maintenance	741,521	939,850	939,850	198,329
Operation and Maintenance of Equipment	207,887	284,100	284,100	76,213
Other Charges	35,670	44,020	44,020	8,350
Employee Benefits	200,297	223,700	223,700	23,403
Capital Outlay	78,071	596,980	596,980	518,909
Total Expenditures	<u>\$ 1,379,094</u>	<u>\$ 2,217,280</u>	<u>\$ 2,217,280</u>	<u>\$ 838,186</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (66,816)</u>	<u>\$ (485,402)</u>	<u>\$ (485,402)</u>	<u>\$ 418,586</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 577	\$ 0	\$ 0	\$ 577
Total Other Financing Sources (Uses)	<u>\$ 577</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 577</u>
Net Change in Fund Balance	\$ (66,239)	\$ (485,402)	\$ (485,402)	\$ 419,163
Fund Balance, July 1, 2008	<u>636,531</u>	<u>553,834</u>	<u>553,834</u>	<u>82,697</u>
Fund Balance, June 30, 2009	<u>\$ 570,292</u>	<u>\$ 68,432</u>	<u>\$ 68,432</u>	<u>\$ 501,860</u>

Exhibit E-3

Houston County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Houston County School Department
June 30, 2009

(Dollar amounts in thousands)

Plan	Fiscal Year Ended*	Actuarial Valuation Date	Actuarial			Actuarial Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Value of Assets (a)				
Local Education Group	6-30-08	7-1-07	\$ 0	\$ 520	\$ 520	0%	\$ 2,909	18%	
"	6-30-09	7-1-07	0	520	520	0	2,909	18	

*Data only available for two years.

HOUSTON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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 County 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/Executive, 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.

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

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Nonmajor Governmental Funds

Special Revenue Funds

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.

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

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

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

Capital Projects Fund

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

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.

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Exhibit F-1

Houston County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 7,448	\$ 7,448
Equity in Pooled Cash and Investments	173,549	1,778	0	175,327
Accounts Receivable	37	0	0	37
Due from Other Governments	4,534	0	0	4,534
Property Taxes Receivable	177,600	0	0	177,600
Allowance for Uncollectible Property Taxes	(4,991)	0	0	(4,991)
Total Assets	<u>\$ 350,729</u>	<u>\$ 1,778</u>	<u>\$ 7,448</u>	<u>\$ 359,955</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 60	\$ 60
Deferred Revenue - Current Property Taxes	160,256	0	0	160,256
Deferred Revenue - Delinquent Property Taxes	11,245	0	0	11,245
Other Deferred Revenues	4,341	0	0	4,341
Total Liabilities	<u>\$ 175,842</u>	<u>\$ 0</u>	<u>\$ 60</u>	<u>\$ 175,902</u>
<u>Fund Balances</u>				
Unreserved	\$ 174,887	\$ 1,778	\$ 7,388	\$ 184,053
Total Fund Balances	<u>\$ 174,887</u>	<u>\$ 1,778</u>	<u>\$ 7,388</u>	<u>\$ 184,053</u>
Total Liabilities and Fund Balances	<u>\$ 350,729</u>	<u>\$ 1,778</u>	<u>\$ 7,448</u>	<u>\$ 359,955</u>

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, 2009

	Special Revenue Funds					Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Other Capital Projects	Fund				
<u>Revenues</u>									
Local Taxes	\$ 169,525	0	0	0	0	169,525	0	0	169,525
Fines, Forfeitures, and Penalties	0	682	0	0	0	682	0	0	682
Charges for Current Services	0	0	54,139	0	0	54,139	0	0	54,139
Other Local Revenues	9,553	0	0	0	0	9,553	0	0	9,553
State of Tennessee	38,710	0	0	0	0	38,710	0	0	38,710
Federal Government	0	0	0	0	0	0	86,572	0	86,572
Total Revenues	\$ 217,788	\$ 682	\$ 54,139	\$ 0	\$ 0	\$ 272,609	\$ 86,572	\$ 0	\$ 359,181
<u>Expenditures</u>									
Current:									
Finance	0	0	54,626	0	0	54,626	0	0	54,626
Public Safety	0	1,000	0	0	0	1,000	0	0	1,000
Public Health and Welfare	248,350	0	0	0	0	248,350	0	0	248,350
Other Operations	6,770	0	0	0	0	6,770	86,572	0	93,342
Total Expenditures	\$ 255,120	\$ 1,000	\$ 54,626	\$ 0	\$ 0	\$ 310,746	\$ 86,572	\$ 0	\$ 397,318
Excess (Deficiency) of Revenues Over Expenditures	\$ (37,332)	\$ (318)	\$ (487)	\$ 0	\$ 0	\$ (38,137)	\$ 0	\$ 0	\$ (38,137)
Net Change in Fund Balances	\$ (37,332)	\$ (318)	\$ (487)	\$ 0	\$ 0	\$ (38,137)	\$ 0	\$ 0	\$ (38,137)
Fund Balance, July 1, 2008	212,219	2,096	7,875	0	0	222,190	0	0	222,190
Fund Balance, June 30, 2009	\$ 174,887	\$ 1,778	\$ 7,388	\$ 0	\$ 0	\$ 184,053	\$ 0	\$ 0	\$ 184,053

Exhibit F-3

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 169,525	\$ 162,850	\$ 162,850	\$ 6,675
Other Local Revenues	9,553	10,000	10,000	(447)
State of Tennessee	38,710	40,350	40,350	(1,640)
Total Revenues	<u>\$ 217,788</u>	<u>\$ 213,200</u>	<u>\$ 213,200</u>	<u>\$ 4,588</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
General Welfare Assistance	\$ 1,076	\$ 1,078	\$ 1,078	\$ 2
Convenience Centers	238,075	308,464	308,464	70,389
Landfill Operation and Maintenance	9,199	10,000	10,000	801
<u>Other Operations</u>				
Other Charges	3,770	6,000	6,000	2,230
Employee Benefits	3,000	13,000	13,000	10,000
<u>Principal on Debt</u>				
General Government	0	150,000	150,000	150,000
<u>Interest on Debt</u>				
General Government	0	4,700	4,700	4,700
Total Expenditures	<u>\$ 255,120</u>	<u>\$ 493,242</u>	<u>\$ 493,242</u>	<u>\$ 238,122</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (37,332)</u>	<u>\$ (280,042)</u>	<u>\$ (280,042)</u>	<u>\$ 242,710</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	\$ (37,332)	\$ (130,042)	\$ (130,042)	\$ 92,710
Fund Balance, July 1, 2008	<u>212,219</u>	<u>223,431</u>	<u>223,431</u>	<u>(11,212)</u>
Fund Balance, June 30, 2009	<u>\$ 174,887</u>	<u>\$ 93,389</u>	<u>\$ 93,389</u>	<u>\$ 81,498</u>

Exhibit F-4

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 682	\$ 6,000	\$ 6,000	\$ (5,318)
Total Revenues	\$ 682	\$ 6,000	\$ 6,000	\$ (5,318)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 1,000	\$ 6,000	\$ 6,000	\$ 5,000
Total Expenditures	\$ 1,000	\$ 6,000	\$ 6,000	\$ 5,000
Excess (Deficiency) of Revenues Over Expenditures	\$ (318)	\$ 0	\$ 0	\$ (318)
Net Change in Fund Balance	\$ (318)	\$ 0	\$ 0	\$ (318)
Fund Balance, July 1, 2008	2,096	2,096	2,096	0
Fund Balance, June 30, 2009	\$ 1,778	\$ 2,096	\$ 2,096	\$ (318)

Major Governmental Fund

General Debt Service Fund

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 430,856	\$ 406,305	\$ 406,305	\$ 24,551
Charges for Current Services	0	400,000	0	0
State of Tennessee	61,080	60,000	60,000	1,080
Other Governments and Citizens Groups	431,500	31,500	431,500	0
Total Revenues	<u>\$ 923,436</u>	<u>\$ 897,805</u>	<u>\$ 897,805</u>	<u>\$ 25,631</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 272,368	\$ 144,050	\$ 272,207	\$ (161)
Education	281,000	473,000	348,000	67,000
<u>Interest on Debt</u>				
General Government	95,744	53,900	110,590	14,846
Education	167,132	438,000	381,150	214,018
<u>Other Debt Service</u>				
General Government	9,257	12,000	12,000	2,743
Total Expenditures	<u>\$ 825,501</u>	<u>\$ 1,120,950</u>	<u>\$ 1,123,947</u>	<u>\$ 298,446</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 97,935</u>	<u>\$ (223,145)</u>	<u>\$ (226,142)</u>	<u>\$ 324,077</u>
Net Change in Fund Balance	\$ 97,935	\$ (223,145)	\$ (226,142)	\$ 324,077
Fund Balance, July 1, 2008	<u>1,212,359</u>	<u>1,153,093</u>	<u>1,153,093</u>	<u>59,266</u>
Fund Balance, June 30, 2009	<u>\$ 1,310,294</u>	<u>\$ 929,948</u>	<u>\$ 926,951</u>	<u>\$ 383,343</u>

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Fiduciary Funds

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.

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.

Other Agency Fund – The Other Agency Fund is used to account for septic tank permit fees collected in an agency capacity by the trustee. These fees are remitted to the State of Tennessee Department of Health.

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Exhibit H-1

Houston County, Tennessee

Combining Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2009

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 210,672	\$ 210,672
Investments	0	411	411
Due from Other Governments	65,604	0	65,604
Total Assets	<u>\$ 65,604</u>	<u>\$ 211,083</u>	<u>\$ 276,687</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 65,604	\$ 0	\$ 65,604
Due to Litigants, Heirs, and Others	0	211,083	211,083
Total Liabilities	<u>\$ 65,604</u>	<u>\$ 211,083</u>	<u>\$ 276,687</u>

Exhibit H-2

Houston County, Tennessee

Combining Statement of Changes in Assets and Liabilities - All Agency Funds

For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 330,467	\$ 330,467	\$ 0
Due from Other Governments	74,704	65,604	74,704	65,604
Total Assets	<u>\$ 74,704</u>	<u>\$ 396,071</u>	<u>\$ 405,171</u>	<u>\$ 65,604</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 74,704	\$ 396,071	\$ 405,171	\$ 65,604
Total Liabilities	<u>\$ 74,704</u>	<u>\$ 396,071</u>	<u>\$ 405,171</u>	<u>\$ 65,604</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 214,052	\$ 1,520,019	\$ 1,523,399	\$ 210,672
Investments	619	0	208	411
Total Assets	<u>\$ 214,671</u>	<u>\$ 1,520,019</u>	<u>\$ 1,523,607</u>	<u>\$ 211,083</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 214,671	\$ 1,520,019	\$ 1,523,607	\$ 211,083
Total Liabilities	<u>\$ 214,671</u>	<u>\$ 1,520,019</u>	<u>\$ 1,523,607</u>	<u>\$ 211,083</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 7,650	\$ 7,650	\$ 0
Total Assets	<u>\$ 0</u>	<u>\$ 7,650</u>	<u>\$ 7,650</u>	<u>\$ 0</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 7,650	\$ 7,650	\$ 0
Total Liabilities	<u>\$ 0</u>	<u>\$ 7,650</u>	<u>\$ 7,650</u>	<u>\$ 0</u>

(Continued)

Exhibit H-2

Houston County, Tennessee

Combining Statement of Changes in Assets and Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 214,052	\$ 1,520,019	\$ 1,523,399	\$ 210,672
Equity in Pooled Cash and Investments	0	338,117	338,117	0
Investments	619	0	208	411
Due from Other Governments	74,704	65,604	74,704	65,604
Total Assets	<u>\$ 289,375</u>	<u>\$ 1,923,740</u>	<u>\$ 1,936,428</u>	<u>\$ 276,687</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 74,704	\$ 396,071	\$ 405,171	\$ 65,604
Due to Litigants, Heirs, and Others	214,671	1,527,669	1,531,257	211,083
Total Liabilities	<u>\$ 289,375</u>	<u>\$ 1,923,740</u>	<u>\$ 1,936,428</u>	<u>\$ 276,687</u>

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Houston County School Department

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.

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.

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Exhibit I-1

Houston County, Tennessee
Statement of Activities
Discretely Presented Houston County School Department
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues		Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions		Total Governmental Activities	Governmental Activities
Governmental Activities:					
Instruction	\$ 6,047,548	\$ 7,744	\$ 586,158	\$ (5,453,646)	
Support Services	3,933,747	17,089	187,043	(3,729,615)	
Operation of Non-Instructional Services	1,240,157	319,277	750,260	(170,620)	
Other Debt Service	400,000	0	0	(400,000)	
Total Governmental Activities	\$ 11,621,452	\$ 344,110	\$ 1,523,461	\$ (9,753,881)	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 669,445	
Local Option Sales Taxes				481,334	
Other Local Taxes				24,820	
Grants and Contributions Not Restricted to Specific Programs				8,239,066	
Unrestricted Investment Income				99,618	
Miscellaneous				31,125	
Total General Revenues				\$ 9,545,408	
Change in Net Assets				\$ (208,473)	
Net Assets, July 1, 2008				13,089,510	
Net Assets, June 30, 2009				\$ 12,881,037	

Exhibit I-2

Houston County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Houston County School Department
June 30, 2009

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	<u>General</u>	<u>Other</u>	<u>Govern-</u>
	<u>Purpose</u>	<u>mental</u>	<u>mental</u>
	<u>School</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,664,044	\$ 271,663	\$ 2,935,707
Due from Other Governments	242,813	460	243,273
Property Taxes Receivable	724,060	0	724,060
Allowance for Uncollectible Property Taxes	(20,346)	0	(20,346)
Total Assets	<u>\$ 3,610,571</u>	<u>\$ 272,123</u>	<u>\$ 3,882,694</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 46,417	\$ 0	\$ 46,417
Payroll Deductions Payable	68,910	2,133	71,043
Deferred Revenue - Current Property Taxes	653,353	0	653,353
Deferred Revenue - Delinquent Property Taxes	45,844	0	45,844
Other Deferred Revenues	42,130	0	42,130
Total Liabilities	<u>\$ 856,654</u>	<u>\$ 2,133</u>	<u>\$ 858,787</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 208,144	\$ 0	\$ 208,144
Reserved for Career Ladder - Extended Contract	32,174	0	32,174
Reserved for Career Ladder Program	6,520	0	6,520
Reserved for Title I Grants to Local Education Agencies	0	4,768	4,768
Other Federal Reserves	0	1,884	1,884
Unreserved, Reported In:			
General Fund	2,507,079	0	2,507,079
Special Revenue Funds	0	263,338	263,338
Total Fund Balances	<u>\$ 2,753,917</u>	<u>\$ 269,990</u>	<u>\$ 3,023,907</u>
Total Liabilities and Fund Balances	<u>\$ 3,610,571</u>	<u>\$ 272,123</u>	<u>\$ 3,882,694</u>

Exhibit I-3

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, 2009

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)		\$ 3,023,907
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 333,220	
Add: buildings and improvements net of accumulated depreciation	8,416,125	
Add: other capital assets net of accumulated depreciation	<u>1,090,041</u>	9,839,386
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other postemployment benefits liability		(70,230)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>87,974</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 12,881,037</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, 2009

	<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	\$ 1,191,956	\$ 0	\$ 1,191,956
Licenses and Permits	633	0	633
Charges for Current Services	24,833	319,277	344,110
Other Local Revenues	172,957	7,493	180,450
State of Tennessee	8,607,211	821	8,608,032
Federal Government	3,891	1,157,807	1,161,698
Total Revenues	<u>\$ 10,001,481</u>	<u>\$ 1,485,398</u>	<u>\$ 11,486,879</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,145,738	\$ 612,869	\$ 5,758,607
Support Services	3,641,920	115,168	3,757,088
Operation of Non-Instructional Services	320,127	749,004	1,069,131
Capital Outlay	298,882	0	298,882
Debt Service:			
Other Debt Service	400,000	0	400,000
Total Expenditures	<u>\$ 9,806,667</u>	<u>\$ 1,477,041</u>	<u>\$ 11,283,708</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 194,814</u>	<u>\$ 8,357</u>	<u>\$ 203,171</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 19,336	\$ 0	\$ 19,336
Total Other Financing Sources (Uses)	<u>\$ 19,336</u>	<u>\$ 0</u>	<u>\$ 19,336</u>
Net Change in Fund Balances	\$ 214,150	\$ 8,357	\$ 222,507
Fund Balance, July 1, 2008	<u>2,539,767</u>	<u>261,633</u>	<u>2,801,400</u>
Fund Balance, June 30, 2009	<u><u>\$ 2,753,917</u></u>	<u><u>\$ 269,990</u></u>	<u><u>\$ 3,023,907</u></u>

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, 2009

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)		\$ 222,507
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 204,163	
Less: current year depreciation expense	<u>(468,909)</u>	(264,746)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: net book value of assets disposed		(7,367)
(3) 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, 2009	\$ 87,974	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(208,420)</u>	(120,446)
(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 other postemployment benefits liability		<u>(38,421)</u>
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ (208,473)</u></u>

Exhibit I-6

Houston County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Houston County School Department
June 30, 2009

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
	<hr/>		
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 8,325	\$ 263,338	\$ 271,663
Due from Other Governments	460	0	460
	<hr/>		
Total Assets	\$ 8,785	\$ 263,338	\$ 272,123
	<hr/> <hr/>		
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 2,133	\$ 0	\$ 2,133
Total Liabilities	\$ 2,133	\$ 0	\$ 2,133
	<hr/>		
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 4,768	\$ 0	\$ 4,768
Other Federal Reserves	1,884	0	1,884
Unreserved	0	263,338	263,338
Total Fund Balances	\$ 6,652	\$ 263,338	\$ 269,990
	<hr/>		
Total Liabilities and Fund Balances	\$ 8,785	\$ 263,338	\$ 272,123
	<hr/> <hr/>		

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, 2009

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 319,277	\$ 319,277
Other Local Revenues	0	7,493	7,493
State of Tennessee	0	821	821
Federal Government	730,720	427,087	1,157,807
Total Revenues	<u>\$ 730,720</u>	<u>\$ 754,678</u>	<u>\$ 1,485,398</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 612,869	\$ 0	\$ 612,869
Support Services	115,168	0	115,168
Operation of Non-Instructional Services	0	749,004	749,004
Total Expenditures	<u>\$ 728,037</u>	<u>\$ 749,004</u>	<u>\$ 1,477,041</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ 2,683</u>	<u>\$ 5,674</u>	<u>\$ 8,357</u>
Net Change in Fund Balances	\$ 2,683	\$ 5,674	\$ 8,357
Fund Balance, July 1, 2008	<u>3,969</u>	<u>257,664</u>	<u>261,633</u>
Fund Balance, June 30, 2009	<u>\$ 6,652</u>	<u>\$ 263,338</u>	<u>\$ 269,990</u>

Exhibit I-8

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Houston County School Department
General Purpose School Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,191,956	\$ 0	\$ 0	\$ 1,191,956	\$ 1,081,154	\$ 1,081,154	\$ 110,802
Licenses and Permits	633	0	0	633	350	350	283
Charges for Current Services	24,833	0	0	24,833	14,100	14,100	10,733
Other Local Revenues	172,957	0	0	172,957	206,045	206,045	(33,088)
State of Tennessee	8,607,211	0	0	8,607,211	8,363,088	8,399,867	207,344
Federal Government	3,891	0	0	3,891	100	3,991	(100)
Total Revenues	\$ 10,001,481	\$ 0	\$ 0	\$ 10,001,481	\$ 9,664,837	\$ 9,705,507	\$ 295,974
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,423,180	\$ (102,989)	\$ 52,785	\$ 4,372,976	\$ 4,504,000	\$ 4,504,000	\$ 131,024
Special Education Program	443,084	0	0	443,084	523,800	527,691	84,607
Vocational Education Program	279,474	(1,895)	0	277,579	321,000	321,000	43,421
<u>Support Services</u>							
Attendance	31,182	0	0	31,182	34,400	34,400	3,218
Health Services	15,305	0	0	15,305	25,500	25,500	10,195
Other Student Support	278,122	(5,881)	0	272,241	301,900	311,900	39,659
Regular Instruction Program	523,378	(3,014)	4,322	524,686	560,800	560,800	36,114
Alternative Instruction Program	59,080	0	0	59,080	66,100	66,100	7,020
Special Education Program	145,158	0	0	145,158	152,200	152,200	7,042
Vocational Education Program	0	0	0	0	4,000	4,000	4,000
Other Programs	26,779	0	0	26,779	0	26,779	0
Board of Education	234,531	0	0	234,531	288,650	288,650	54,119
Director of Schools	123,663	0	0	123,663	136,150	136,150	12,487

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 557,923	\$ (3,832)	0	\$ 554,091	\$ 599,000	\$ 599,000	\$ 44,909
Fiscal Services	124,826	0	0	124,826	144,850	144,850	20,024
Operation of Plant	786,606	0	0	786,606	899,500	899,500	112,894
Maintenance of Plant	226,171	(10,818)	4,595	219,948	248,500	248,500	28,552
Transportation	509,196	(98,948)	135,392	545,640	654,700	654,700	109,060
Central and Other	0	0	0	0	5,000	5,000	5,000
<u>Operation of Non-Instructional Services</u>							
Food Service	29,800	0	0	29,800	30,350	30,350	550
Community Services	29,005	(303)	0	28,702	33,300	33,300	4,598
Early Childhood Education	261,322	0	0	261,322	301,732	301,732	40,410
Capital Outlay							
Regular Capital Outlay	298,882	(183,673)	11,050	126,259	150,000	150,000	23,741
<u>Principal on Debt</u>							
Education	0	0	0	0	400,000	0	0
Interest on Debt							
Education	0	0	0	0	1,000	1,000	1,000
<u>Other Debt Service</u>							
Education	400,000	0	0	400,000	0	400,000	0
<u>Total Expenditures</u>	<u>\$ 9,806,667</u>	<u>\$ (411,353)</u>	<u>\$ 208,144</u>	<u>\$ 9,603,458</u>	<u>\$ 10,386,432</u>	<u>\$ 10,427,102</u>	<u>\$ 823,644</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	<u>\$ 194,814</u>	<u>\$ 411,353</u>	<u>\$ (208,144)</u>	<u>\$ 398,023</u>	<u>\$ (721,595)</u>	<u>\$ (721,595)</u>	<u>\$ 1,119,618</u>

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 19,336	\$ 0	\$ 0	\$ 19,336	\$ 5,000	\$ 5,000	\$ 14,336
Total Other Financing Sources (Uses)	\$ 19,336	\$ 0	\$ 0	\$ 19,336	\$ 5,000	\$ 5,000	\$ 14,336
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 214,150	\$ 411,353	\$ (208,144)	\$ 417,359	\$ (716,595)	\$ (716,595)	\$ 1,133,954
	2,539,767	(411,353)	0	2,128,414	2,278,468	2,278,468	(150,054)
Fund Balance, June 30, 2009	\$ 2,753,917	\$ 0	\$ (208,144)	\$ 2,545,773	\$ 1,561,873	\$ 1,561,873	\$ 983,900

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 730,720	\$ 862,131	\$ 789,822	\$ (59,102)
Total Revenues	\$ 730,720	\$ 862,131	\$ 789,822	\$ (59,102)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 264,149	\$ 310,983	\$ 378,040	\$ 113,891
Special Education Program	331,448	334,972	360,442	28,994
Vocational Education Program	17,272	15,999	17,311	39
<u>Support Services</u>				
Other Student Support	15,603	35,716	45,907	30,304
Regular Instruction Program	96,480	103,269	124,546	28,066
Special Education Program	2,537	1,682	2,542	5
Vocational Education Program	548	550	550	2
Total Expenditures	\$ 728,037	\$ 803,171	\$ 929,338	\$ 201,301
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,683	\$ 58,960	\$ (139,516)	\$ 142,199
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 26,500	\$ 26,500	\$ (26,500)
Total Other Financing Sources (Uses)	\$ 0	\$ 26,500	\$ 26,500	\$ (26,500)
Net Change in Fund Balance	\$ 2,683	\$ 85,460	\$ (113,016)	\$ 115,699
Fund Balance, July 1, 2008	3,969	3,969	113,016	(109,047)
Fund Balance, June 30, 2009	\$ 6,652	\$ 89,429	\$ 0	\$ 6,652

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 319,277	\$ 394,600	\$ 394,600	\$ (75,323)
Other Local Revenues	7,493	11,000	11,000	(3,507)
State of Tennessee	821	2,400	2,400	(1,579)
Federal Government	427,087	388,000	388,000	39,087
Total Revenues	<u>\$ 754,678</u>	<u>\$ 796,000</u>	<u>\$ 796,000</u>	<u>\$ (41,322)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 749,004	\$ 796,000	\$ 796,000	\$ 46,996
Total Expenditures	<u>\$ 749,004</u>	<u>\$ 796,000</u>	<u>\$ 796,000</u>	<u>\$ 46,996</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,674</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,674</u>
Net Change in Fund Balance	\$ 5,674	\$ 0	\$ 0	\$ 5,674
Fund Balance, July 1, 2008	<u>257,664</u>	<u>257,352</u>	<u>257,352</u>	<u>312</u>
Fund Balance, June 30, 2009	<u>\$ 263,338</u>	<u>\$ 257,352</u>	<u>\$ 257,352</u>	<u>\$ 5,986</u>

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
For the Year Ended June 30, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jail Site	\$ 45,000	5.02	4-13-1998	4-13-10	\$ 7,500	\$ 0	\$ 3,750	\$ 3,750
Ambulance	47,000	1.83	11-5-03	11-5-08	10,927	0	10,927	0
Roofing of County Buildings	20,000	3.89	4-14-05	4-14-11	10,001	0	3,333	6,668
E-911 Communications Tower and Equipment	221,000	3.99	8-17-05	9-29-17	184,166	0	18,417	165,749
Solid Waste Equipment and Construction (Extension)	100,000	3.89	12-5-05	12-5-10	60,000	0	20,000	40,000
Fire Station Buildings and Equipment	110,000	5.34	4-11-07	4-11-19	100,833	0	9,167	91,666
Convenience Center Front End Loader (Extension)	82,716	5	6-27-07	6-10-16	73,526	0	9,190	64,336
Health Department Addition (Extension)	45,000	5	6-27-07	6-10-16	40,000	0	5,000	35,000
Patrol Vehicles and Equipment	71,244	4.64	12-12-07	12-12-11	71,244	0	17,811	53,433
Library Equipment	10,000	3.99	12-9-08	10-9-12	0	10,000	0	10,000
Library Renovation	75,000	3.29	4-8-09	4-8-19	0	75,000	0	75,000
Ambulance and Equipment	107,027	3.99	12-11-08	12-11-15	0	107,027	0	107,027
Total Notes Payable					\$ 558,197	\$ 192,027	\$ 97,595	\$ 652,629

OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Courthouse Renovations	1,800,000	variable	10-21-1999	5-25-24	\$ 1,446,000	\$ 0	\$ 61,000	\$ 1,385,000
School Construction	10,000,000	variable	1-31-00	5-25-27	8,575,000	0	281,000	8,294,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	847,000	0	30,000	817,000
Jail Construction and Courthouse Renovations	(1)	variable	4-26-02	5-25-27	497,200	0	34,000	463,200
Total Other Loans Payable					\$ 11,365,200	\$ 0	\$ 406,000	\$ 10,959,200

(Continued)

Exhibit J-1

Houston County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09
CAPITAL LEASES PAYABLE								
Payable through General Debt Service Fund								
Patrol Cars	\$ 100,380	5.5 %	1-31-06	1-31-09	\$ 25,730	\$ 0	\$ 25,730	\$ 0
Total Capital Leases Payable					<u>\$ 25,730</u>	<u>\$ 0</u>	<u>\$ 25,730</u>	<u>\$ 0</u>
BONDS PAYABLE								
Payable through General Debt Service Fund								
Industrial Park Development (FmHA)	478,000	4 to 5	10-13-1977	10-1-16	\$ 152,000	\$ 0	\$ 16,000	\$ 136,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	95,273	0	8,043	87,230
Total Bonds Payable					<u>\$ 247,273</u>	<u>\$ 0</u>	<u>\$ 24,043</u>	<u>\$ 223,230</u>

(1) Total amount available for draws from the Montgomery County Public Building Authority is \$1,200,000, of which Houston County has drawn \$646,200.

Exhibit J-2

Houston County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 111,959	\$ 28,095	\$ 140,054
2011	108,210	23,282	131,492
2012	84,876	18,658	103,534
2013	67,065	14,941	82,006
2014	64,563	12,050	76,613
2015	64,563	9,260	73,823
2016	64,563	6,469	71,032
2017	35,082	3,678	38,760
2018	35,082	2,207	37,289
2019	16,666	736	17,402
Total	<u>\$ 652,629</u>	<u>\$ 119,376</u>	<u>\$ 772,005</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Fees	Total
2010	\$ 427,000	\$ 40,736	\$ 62,188	\$ 529,924
2011	448,000	34,756	53,162	535,918
2012	471,000	33,278	50,958	555,236
2013	494,000	31,724	48,640	574,364
2014	518,000	30,093	46,210	594,303
2015	544,000	28,384	43,661	616,045
2016	571,000	26,589	40,984	638,573
2017	600,000	24,704	38,174	662,878
2018	631,000	22,724	35,221	688,945
2019	662,000	20,642	32,116	714,758
2020	645,200	18,458	28,859	692,517
2021	668,000	16,328	25,510	709,838
2022	701,000	14,124	22,197	737,321
2023	737,000	11,811	18,721	767,532
2024	774,000	9,379	15,066	798,445
2025	679,000	6,824	11,050	696,874
2026	713,000	4,584	7,688	725,272
2027	676,000	2,231	4,018	682,249
Total	<u>\$ 10,959,200</u>	<u>\$ 377,369</u>	<u>\$ 584,423</u>	<u>\$ 11,920,992</u>

(Continued)

Exhibit J-2

Houston County, Tennessee
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 24,034	\$ 10,434	\$ 34,468
2011	24,405	9,263	33,668
2012	24,794	8,074	32,868
2013	25,201	6,867	32,068
2014	25,626	5,642	31,268
2015	26,072	4,397	30,469
2016	30,537	3,031	33,568
2017	31,025	1,543	32,568
2018	11,536	533	12,069
Total	\$ 223,230	\$ 49,784	\$ 273,014

Exhibit J-3

Houston County, Tennessee
Schedule of Investments
June 30, 2009

<u>Fund and Type</u>	<u>Amount</u>
<u>Constitutional Officers - Agency Fund</u>	
<u>Circuit Court Clerk</u>	
AIM Aggressive Growth Fund	\$ <u>411</u>
Total Investments	\$ <u><u>411</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, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 61,822	\$ 25,000	Auto Owners Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	57,477	100,000	"
Director of Schools	State Board of Education and County Board of Education	85,171 (1)	100,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	53,525	384,000	Auto Owners Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	53,525	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	53,525	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	53,525	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	53,525 (2)	50,000	"
Register	and Chancery Court Judge Section 8-24-102, <u>TCA</u>	53,525	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	58,879 (3)	25,000	"
Employee Blanket Bonds: County Mayor and Road Superintendent: All Employees			150,000	Local Government Property and Casualty Fund
Director of Schools: All Employees			150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$500.
- (3) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Houston County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2009

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects		
Local Taxes										
County Property Taxes										
Current Property Tax	\$ 1,753,910	\$ 147,102	\$ 0	\$ 0	\$ 11,316	\$ 79,210	\$ 0	\$ 0	\$ 1,991,538	
Discount on Property Taxes	(13,687)	(1,149)	0	0	(88)	(618)	0	0	(15,542)	
Trustee's Collections - Prior Year	88,705	7,740	0	0	596	10,077	0	0	107,118	
Trustee's Collections - Bankruptcy	53,079	5,518	0	0	292	6,122	0	0	65,011	
Circuit/Clerk & Master Collections - Prior Years	46,970	3,906	0	0	293	2,781	0	0	53,950	
Interest and Penalty	27,953	2,681	0	0	165	2,872	0	0	33,671	
Payments in-Lieu-of Taxes - T.V.A.	0	59	0	0	37	0	0	0	96	
Payments in-Lieu-of Taxes - Local Utilities	26,449	2,083	0	0	167	1,420	0	0	30,119	
County Local Option Taxes										
Local Option Sales Tax	94,234	0	0	0	0	0	0	0	94,234	
Hotel/Motel Tax	13,514	0	0	0	0	0	0	0	13,514	
Wheel Tax	0	0	0	0	0	320,951	0	0	320,951	
Litigation Tax - General	20,826	0	0	0	0	0	0	0	20,826	
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	7,128	0	0	7,128	
Business Tax	785	1,585	0	0	117	913	0	0	3,400	
Statutory Local Taxes										
Bank Excise Tax	14,168	0	0	0	0	0	0	0	14,168	
Wholesale Beer Tax	41,057	0	0	0	0	0	0	0	41,057	
Interstate Telecommunications Tax	640	0	0	0	0	0	0	0	640	
Total Local Taxes	\$ 2,168,603	\$ 169,525	\$ 0	\$ 0	\$ 12,895	\$ 430,856	\$ 0	\$ 0	\$ 2,781,879	
Licenses and Permits										
Licenses										
Cable TV Franchise	\$ 4,903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,903	
Total Licenses and Permits	\$ 4,903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,903	
Fines, Forfeitures, and Penalties										
Circuit Court										
Fines	\$ 2,182	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,182	
Officers Costs	1,185	0	0	0	0	0	0	0	1,185	

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund		General Capital Projects	Other Capital Projects	
						General	Debt Service			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Circuit Court (Cont.)</u>										
Jail Fees	\$ 304	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 304
DUI Treatment Fines	475	0	0	0	0	0	0	0	0	475
Data Entry Fee - Circuit Court	85	0	0	0	0	0	0	0	0	85
<u>General Sessions Court</u>										
Fines	5,057	0	0	0	0	0	0	0	0	5,057
Officers Costs	14,001	0	0	0	0	0	0	0	0	14,001
Game and Fish Fines	302	0	0	0	0	0	0	0	0	302
Drug Control Fines	0	0	682	0	0	0	0	0	0	682
Jail Fees	2,753	0	0	0	0	0	0	0	0	2,753
DUI Treatment Fines	7,181	0	0	0	0	0	0	0	0	7,181
Data Entry Fee - General Sessions Court	1,172	0	0	0	0	0	0	0	0	1,172
Courtroom Security Fee	7	0	0	0	0	0	0	0	0	7
<u>Juvenile Court</u>										
Fines	200	0	0	0	0	0	0	0	0	200
Officers Costs	351	0	0	0	0	0	0	0	0	351
Data Entry Fee - Juvenile Court	26	0	0	0	0	0	0	0	0	26
<u>Chancery Court</u>										
Officers Costs	547	0	0	0	0	0	0	0	0	547
Data Entry Fee - Chancery Court	937	0	0	0	0	0	0	0	0	937
Courtroom Security Fee	607	0	0	0	0	0	0	0	0	607
Total Fines, Forfeitures, and Penalties	\$ 37,372	\$ 0	\$ 682	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,054
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Patient Charges	\$ 485,546	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 485,546
Work Release Charges for Board	1,130	0	0	0	0	0	0	0	0	1,130
Other General Service Charges	25,404	0	0	0	0	0	0	0	0	25,404
<u>Fees</u>										
Airport Fees	1,400	0	0	0	0	0	0	0	0	1,400
Copy Fees	156	0	0	0	0	0	0	0	0	156

(Continued)

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects		
<u>Charges for Current Services (Cont.)</u>										
<u>Fees (Cont.)</u>										
Telephone Commissions	\$ 10,457	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,457
Constitutional Officers' Fees and Commissions	0	0	0	54,139	0	0	0	0	0	54,139
Data Processing Fee - Register	2,914	0	0	0	0	0	0	0	0	2,914
Sexual Offender Registration Fees - Sheriff	2,600	0	0	0	0	0	0	0	0	2,600
Data Processing Fee - County Clerk	454	0	0	0	0	0	0	0	0	454
Total Charges for Current Services	\$ 530,061	\$ 0	\$ 0	\$ 54,139	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 584,200
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Lease/Rentals	\$ 38,070	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,070
Sale of Materials and Supplies	419	1,301	0	0	0	0	0	0	0	1,720
Commissary Sales	3,650	0	0	0	0	0	0	0	0	3,650
Sale of Gasoline	0	0	0	0	27,065	0	0	0	0	27,065
Sale of Recycled Materials	0	7,466	0	0	0	0	0	0	0	7,466
Cobra Insurance Payments	0	0	0	0	1	0	0	0	0	1
Miscellaneous Refunds	11,791	0	0	0	29,586	0	0	0	0	41,377
<u>Nonrecurring Items</u>										
Sale of Equipment	13,151	0	0	0	0	0	0	0	0	13,151
Sale of Property	100	0	0	0	0	0	0	0	0	100
<u>Other Local Revenues</u>										
Other Local Revenues	8,346	786	0	0	0	0	0	0	0	9,132
Total Other Local Revenues	\$ 75,527	\$ 9,553	\$ 0	\$ 0	\$ 56,652	\$ 0	\$ 0	\$ 0	\$ 0	\$ 141,732
<u>Fees Received from County Officials</u>										
<u>Excess Fees</u>										
County Clerk	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,000
Trustee	112,065	0	0	0	0	0	0	0	0	112,065
Other Officials	3,369	0	0	0	0	0	0	0	0	3,369
<u>Fees in-Lieu-of Salary</u>										
Circuit Court Clerk	15,574	0	0	0	0	0	0	0	0	15,574

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Other Capital Projects		
<u>Fees Received from County Officials (Cont.)</u>										
<u>Fees in-Lieu-of Salary (Cont.)</u>										
General Sessions Court Clerk	\$ 36,683	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,683
Clerk and Master	45,520	0	0	0	0	0	0	0	0	45,520
Juvenile Court Clerk	4,359	0	0	0	0	0	0	0	0	4,359
Register	32,315	0	0	0	0	0	0	0	0	32,315
Sheriff	3,540	0	0	0	0	0	0	0	0	3,540
Total Fees Received from County Officials	\$ 273,425	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 273,425
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Other General Government Grants	36,466	0	0	0	0	0	0	0	0	36,466
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	5,400	0	0	0	0	0	0	0	0	5,400
Safe and Drug - Free Schools and Communities	12,000	0	0	0	0	0	0	0	0	12,000
Other Public Safety Grants	0	0	0	0	0	0	12,353	0	0	12,353
<u>Public Works Grants</u>										
Litter Program	17,607	0	0	0	0	0	0	0	0	17,607
<u>Other State Revenues</u>										
Income Tax	0	2,276	0	0	0	0	0	0	0	2,276
Resort District Sales Tax	61,982	0	0	0	0	0	0	0	0	61,982
Beer Tax	18,701	0	0	0	0	0	0	0	0	18,701
Alcoholic Beverage Tax	0	13,975	0	0	0	0	0	0	0	13,975
State Revenue Sharing - T.V.A.	0	19,109	0	0	0	0	11,760	0	0	30,869
Contracted Prisoner Boarding	49,975	0	0	0	0	61,080	0	0	0	111,055
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,224,130	0	0	1,224,130
Petroleum Special Tax	0	0	0	0	0	0	6,495	0	0	6,495
Reappraisal Program Reimbursement	3,850	0	0	0	0	0	0	0	0	3,850
Registrar's Salary Supplement	14,912	0	0	0	0	0	0	0	0	14,912
Other State Grants	2,000	3,350	0	0	0	0	0	0	0	5,350
Other State Revenues	11,928	0	0	0	0	0	0	0	0	11,928
Total State of Tennessee	\$ 243,821	\$ 38,710	\$ 0	\$ 0	\$ 1,242,731	\$ 61,080	\$ 12,353	\$ 0	\$ 0	\$ 1,598,695

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Funds			Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Debt Service	General Capital Projects	Other Capital Projects		
<u>Federal Government</u>											
<u>Federal Through State</u>											
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 729,834	\$ 86,572	\$ 816,406	
Law Enforcement Grants	18,692	0	0	0	0	0	0	0	0	18,692	
Total Federal Government	\$ 18,692	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 729,834	\$ 86,572	\$ 835,098	
<u>Other Governments and Citizens Groups</u>											
<u>Other Governments</u>											
Contributions	\$ 78,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 424,000	\$ 0	\$ 0	\$ 0	\$ 502,000	
Contracted Services	14,348	0	0	0	0	7,500	0	0	0	21,848	
Citizens Groups											
Donations	500	0	0	0	0	0	0	0	0	500	
Total Other Governments and Citizens Groups	\$ 92,848	\$ 0	\$ 0	\$ 0	\$ 0	\$ 431,500	\$ 0	\$ 0	\$ 0	\$ 524,348	
Total	\$ 3,445,252	\$ 217,788	\$ 682	\$ 54,139	\$ 1,312,278	\$ 923,436	\$ 742,187	\$ 86,572	\$ 6,782,334		

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, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 599,725	\$ 0	\$ 0	\$ 599,725
Discount on Property Taxes	(4,680)	0	0	(4,680)
Trustee's Collections - Prior Year	32,148	0	0	32,148
Trustee's Collections - Bankruptcy	19,532	0	0	19,532
Circuit/Clerk & Master Collections - Prior Years	16,314	0	0	16,314
Interest and Penalty	10,118	0	0	10,118
Payments in-Lieu-of Taxes - T.V.A.	950	0	0	950
Payments in-Lieu-of Taxes - Local Utilities	9,236	0	0	9,236
<u>County Local Option Taxes</u>				
Local Option Sales Tax	483,753	0	0	483,753
Business Tax	23,877	0	0	23,877
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	983	0	0	983
Total Local Taxes	\$ 1,191,956	\$ 0	\$ 0	\$ 1,191,956
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 633	\$ 0	\$ 0	\$ 633
Total Licenses and Permits	\$ 633	\$ 0	\$ 0	\$ 633
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 7,594	\$ 0	\$ 0	\$ 7,594
Tuition - Summer School	150	0	0	150
Lunch Payments - Children	0	0	155,844	155,844
Lunch Payments - Adults	0	0	23,580	23,580
Income from Breakfast	0	0	20,023	20,023
A la carte Sales	0	0	119,830	119,830
Receipts from Individual Schools	17,089	0	0	17,089
Total Charges for Current Services	\$ 24,833	\$ 0	\$ 319,277	\$ 344,110
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 139,982	\$ 0	\$ 7,493	\$ 147,475
Miscellaneous Refunds	30,107	0	0	30,107
<u>Nonrecurring Items</u>				
Sale of Equipment	2,778	0	0	2,778
Damages Recovered from Individuals	90	0	0	90
Total Other Local Revenues	\$ 172,957	\$ 0	\$ 7,493	\$ 180,450
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 26,779	\$ 0	\$ 0	\$ 26,779
<u>Public Safety Grants</u>				
Safe and Drug - Free Schools and Communities	27,713	0	0	27,713
<u>Health and Welfare Grants</u>				
Other Health and Welfare Grants	145,236	0	0	145,236

(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</u>				
Basic Education Program	\$ 7,633,000	\$ 0	\$ 0	\$ 7,633,000
Early Childhood Education	261,323	0	0	261,323
School Food Service	7,386	0	821	8,207
Other State Education Funds	46,917	0	0	46,917
Career Ladder Program	69,928	0	0	69,928
Career Ladder - Extended Contract	42,800	0	0	42,800
<u>Other State Revenues</u>				
Income Tax	5,703	0	0	5,703
State Revenue Sharing - T.V.A.	305,747	0	0	305,747
Other State Grants	34,679	0	0	34,679
Total State of Tennessee	\$ 8,607,211	\$ 0	\$ 821	\$ 8,608,032
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 305,845	\$ 305,845
Breakfast	0	0	121,242	121,242
Vocational Education - Basic Grants to States	0	25,708	0	25,708
Title I Grants to Local Education Agencies	0	283,797	0	283,797
Special Education - Grants to States	0	313,930	0	313,930
Special Education Preschool Grants	3,891	15,800	0	19,691
Safe and Drug-free Schools - State Grants	0	5,133	0	5,133
Rural Education	0	7,665	0	7,665
Eisenhower Professional Development State Grants	0	76,915	0	76,915
Other Federal through State	0	1,772	0	1,772
Total Federal Government	\$ 3,891	\$ 730,720	\$ 427,087	\$ 1,161,698
Total	\$ 10,001,481	\$ 730,720	\$ 754,678	\$ 11,486,879

Exhibit J-7

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	25,681	
Social Security		1,457	
Employer Medicare		341	
Audit Services		2,426	
Dues and Memberships		950	
Legal Services		100	
Legal Notices, Recording, and Court Costs		3,657	
Total County Commission			\$ 34,612

Board of Equalization

Board and Committee Members Fees	\$	825	
Social Security		46	
Employer Medicare		11	
Total Board of Equalization			882

Budget and Finance Committee

Other Salaries and Wages	\$	993	
Board and Committee Members Fees		2,850	
Social Security		238	
Unemployment Compensation		8	
Employer Medicare		56	
Total Budget and Finance Committee			4,145

County Mayor/Executive

County Official/Administrative Officer	\$	61,822	
Accountants/Bookkeepers		22,284	
Clerical Personnel		19,177	
In-Service Training		649	
Social Security		6,404	
Unemployment Compensation		334	
Employer Medicare		1,498	
Communication		2,853	
Data Processing Services		6,582	
Dues and Memberships		160	
Legal Notices, Recording, and Court Costs		93	
Travel		3,706	
Office Supplies		2,742	
Premiums on Corporate Surety Bonds		75	
Other Charges		400	
Data Processing Equipment		4,198	
Total County Mayor/Executive			132,977

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

County Official/Administrative Officer	\$	17,593	
Dues and Memberships		250	
Total County Attorney			\$ 17,843

Election Commission

County Official/Administrative Officer	\$	48,172	
Clerical Personnel		12,784	
Election Commission		2,900	
Election Workers		23,408	
Social Security		4,876	
Unemployment Compensation		320	
Employer Medicare		1,140	
Communication		1,689	
Data Processing Services		2,900	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		4,218	
Maintenance and Repair Services - Office Equipment		675	
Rentals		300	
Travel		4,635	
Data Processing Supplies		5,874	
Other Supplies and Materials		2,328	
Data Processing Equipment		1,268	
Voting Machines		600	
Total Election Commission			118,262

Register of Deeds

County Official/Administrative Officer	\$	53,525	
Deputy(ies)		16,372	
Social Security		4,334	
Unemployment Compensation		221	
Employer Medicare		1,014	
Communication		886	
Data Processing Services		1,500	
Dues and Memberships		422	
Printing, Stationery, and Forms		60	
Travel		32	
Office Supplies		2,394	
Data Processing Equipment		3,227	
Office Equipment		119	
Total Register of Deeds			84,106

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Building

Maintenance and Repair Services - Buildings	\$	3,333	
Building Construction		1,499	
Total Building			\$ 4,832

County Buildings

Custodial Personnel	\$	15,689	
Social Security		973	
Unemployment Compensation		138	
Employer Medicare		227	
Maintenance Agreements		2,228	
Maintenance and Repair Services - Buildings		5,434	
Custodial Supplies		3,968	
Electricity		18,589	
Natural Gas		3,312	
Water and Sewer		3,456	
Building and Contents Insurance		8,000	
Other Construction		597	
Total County Buildings			62,611

Other General Administration

Postal Charges	\$	15,000	
Rentals		4,656	
Data Processing Supplies		2,468	
Total Other General Administration			22,124

Finance

Central Services

Other Salaries and Wages	\$	9,720	
Social Security		603	
Unemployment Compensation		127	
Employer Medicare		141	
Total Central Services			10,591

Property Assessor's Office

County Official/Administrative Officer	\$	53,525	
Secretary(ies)		13,912	
Social Security		4,181	
Unemployment Compensation		85	
Employer Medicare		978	
Communication		946	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Contracts with Private Agencies	\$	3,930	
Data Processing Services		1,492	
Dues and Memberships		786	
Legal Notices, Recording, and Court Costs		67	
Maintenance and Repair Services - Vehicles		400	
Travel		212	
Gasoline		305	
Office Supplies		772	
Premiums on Corporate Surety Bonds		316	
Other Charges		385	
Total Property Assessor's Office			\$ 82,292

Reappraisal Program

Laborers	\$	4,672	
Clerical Personnel		1,081	
Social Security		363	
Unemployment Compensation		60	
Employer Medicare		85	
Data Processing Services		1,064	
In Service/Staff Development		100	
Total Reappraisal Program			7,425

County Trustee's Office

County Official/Administrative Officer	\$	53,525	
Clerical Personnel		18,968	
Other Salaries and Wages		1,829	
Social Security		4,608	
Unemployment Compensation		150	
Employer Medicare		1,078	
Communication		813	
Data Processing Services		6,577	
Dues and Memberships		437	
Legal Notices, Recording, and Court Costs		267	
Travel		900	
Office Supplies		1,970	
Data Processing Equipment		2,507	
Office Equipment		313	
Total County Trustee's Office			93,942

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Deputy(ies)	\$	17,561	
Secretary(ies)		29,112	
Clerical Personnel		4,811	
Other Salaries and Wages		6,708	
Social Security		6,944	
Unemployment Compensation		445	
Employer Medicare		1,620	
Communication		1,463	
Maintenance and Repair Services - Office Equipment		56	
Travel		119	
Office Supplies		4,502	
Other Supplies and Materials		366	
Office Equipment		393	
Total County Clerk's Office			\$ 74,100

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	53,525	
Deputy(ies)		17,809	
Clerical Personnel		14,135	
Other Salaries and Wages		4,901	
Jury and Witness Fees		7,895	
Social Security		5,603	
Unemployment Compensation		378	
Employer Medicare		1,310	
Communication		1,730	
Dues and Memberships		407	
Legal Notices, Recording, and Court Costs		425	
Maintenance and Repair Services - Office Equipment		124	
Travel		187	
Office Supplies		6,102	
Total Circuit Court			114,531

General Sessions Judge

Judge(s)	\$	44,397	
Salary Supplements		3,878	
Social Security		2,993	
Employer Medicare		700	
Communication		520	
Dues and Memberships		330	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Travel	\$	1,200	
Office Supplies		100	
Other Supplies and Materials		500	
Total General Sessions Judge			\$ 54,618

Chancery Court

County Official/Administrative Officer	\$	53,525	
Deputy(ies)		16,561	
Social Security		4,345	
Unemployment Compensation		189	
Employer Medicare		1,016	
Communication		1,273	
Dues and Memberships		399	
Legal Notices, Recording, and Court Costs		20	
Travel		364	
Office Supplies		5,015	
Premiums on Corporate Surety Bonds		55	
Data Processing Equipment		1,738	
Total Chancery Court			84,500

Juvenile Court

Judge(s)	\$	11,644	
Social Workers		26,318	
Guards		320	
Social Security		2,354	
Unemployment Compensation		119	
Employer Medicare		550	
Communication		902	
Contracts with Private Agencies		1,537	
Travel		546	
Other Supplies and Materials		389	
Total Juvenile Court			44,679

District Attorney General

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

Judicial Commissioners

Clerical Personnel	\$	12,136	
Social Security		752	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

Employer Medicare	\$ 176	
Total Judicial Commissioners		\$ 13,064

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 58,879	
Deputy(ies)	253,946	
Salary Supplements	5,400	
Secretary(ies)	17,819	
In-Service Training	4,380	
Social Security	20,657	
Unemployment Compensation	1,223	
Employer Medicare	4,831	
Communication	1,445	
Maintenance and Repair Services - Equipment	1,978	
Maintenance and Repair Services - Office Equipment	1,150	
Maintenance and Repair Services - Vehicles	6,208	
Postal Charges	359	
Travel	1,590	
Gasoline	35,000	
Law Enforcement Supplies	2,476	
Office Supplies	1,204	
Tires and Tubes	3,855	
Uniforms	2,000	
Other Supplies and Materials	563	
Premiums on Corporate Surety Bonds	55	
Vehicle and Equipment Insurance	4,500	
Data Processing Equipment	1,541	
Law Enforcement Equipment	11,545	
Motor Vehicles	22,765	
Total Sheriff's Department		465,369

Drug Enforcement

Evaluation and Testing	\$ 1,610	
Total Drug Enforcement		1,610

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$ 1,300	
Total Administration of the Sexual Offender Registry		1,300

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Guards	\$	203,663	
Secretary(ies)		17,792	
Cafeteria Personnel		24,236	
Social Security		15,455	
Unemployment Compensation		1,988	
Employer Medicare		3,615	
Communication		4,958	
Maintenance and Repair Services - Buildings		15,177	
Maintenance and Repair Services - Office Equipment		1,087	
Medical and Dental Services		30,000	
Pest Control		80	
Postal Charges		401	
Travel		642	
Custodial Supplies		2,800	
Electricity		22,696	
Food Supplies		32,418	
Gasoline		6,500	
Law Enforcement Supplies		1,405	
Office Supplies		1,163	
Prisoners Clothing		1,336	
Uniforms		1,761	
Utilities		17,603	
Other Supplies and Materials		3,035	
Law Enforcement Equipment		615	
Total Jail			\$ 410,426

Fire Prevention and Control

Communication	\$	80	
Contributions		1,000	
Electricity		1,133	
Gasoline		52	
Natural Gas		3,008	
Water and Sewer		196	
Building and Contents Insurance		1,268	
Other Charges		52,000	
Building Construction		1,067	
Maintenance Equipment		2,493	
Total Fire Prevention and Control			62,297

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Supervisor/Director	\$	11,729	
Social Security		727	
Unemployment Compensation		119	
Employer Medicare		170	
Communication		275	
Dues and Memberships		35	
Maintenance and Repair Services - Vehicles		579	
Travel		419	
Gasoline		937	
Office Supplies		126	
Other Supplies and Materials		400	
Total Civil Defense			\$ 15,516

Disaster Relief

Remittance of Revenue Collected	\$	19,041	
Total Disaster Relief			19,041

Other Emergency Management

Supervisor/Director	\$	22,765	
Salary Supplements		5,593	
Dispatchers/Radio Operators		84,318	
In-Service Training		2,491	
Social Security		7,135	
Unemployment Compensation		714	
Employer Medicare		1,669	
Communication		2,349	
Contracts with Private Agencies		6,920	
Maintenance and Repair Services - Buildings		1,119	
Maintenance and Repair Services - Office Equipment		1,102	
Pest Control		120	
Postal Charges		130	
Travel		726	
Other Contracted Services		401	
Custodial Supplies		1,312	
Electricity		3,270	
Natural Gas		721	
Office Supplies		3,494	
Water and Sewer		470	
Total Other Emergency Management			146,819

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Medical Personnel	\$ 11,900	
Total County Coroner/Medical Examiner		\$ 11,900

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 5,500	
Communication	2,323	
Contracts with Government Agencies	14,010	
Custodial Supplies	415	
Drugs and Medical Supplies	172	
Electricity	5,068	
Office Supplies	439	
Water and Sewer	2,000	
Building and Contents Insurance	537	
Other Charges	200	
Office Equipment	95	
Total Local Health Center		30,759

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 34,579
Accountants/Bookkeepers	22,613
Medical Personnel	235,650
Paraprofessionals	169,131
In-Service Training	180
Social Security	28,642
Unemployment Compensation	2,238
Employer Medicare	6,699
Communication	3,674
Contracts with Private Agencies	2,070
Operating Lease Payments	9,900
Licenses	1,268
Maintenance and Repair Services - Buildings	350
Maintenance and Repair Services - Vehicles	16,578
Pest Control	120
Postal Charges	555
Travel	795
Remittance of Revenue Collected	1,027
Custodial Supplies	1,331
Drugs and Medical Supplies	28,226
Electricity	3,597

(Continued)

Exhibit J-7

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.)

Gasoline	\$	14,331	
Office Supplies		2,785	
Uniforms		2,581	
Utilities		1,824	
Data Processing Equipment		1,800	
Office Equipment		750	
Total Ambulance/Emergency Medical Services			\$ 593,294

Alcohol and Drug Programs

Instructional Supplies and Materials	\$	1,425	
Office Supplies		910	
Total Alcohol and Drug Programs			2,335

Other Local Health Services

Medical Personnel	\$	31,772	
Social Security		1,970	
Unemployment Compensation		275	
Employer Medicare		461	
Travel		497	
Office Supplies		12	
Total Other Local Health Services			34,987

General Welfare Assistance

Bonus Payments	\$	19,700	
Social Security		1,229	
Employer Medicare		286	
Total General Welfare Assistance			21,215

Sanitation Education/Information

Laborers	\$	14,910	
Clerical Personnel		6,307	
Social Security		1,315	
Unemployment Compensation		275	
Employer Medicare		308	
Maintenance and Repair Services - Vehicles		651	
Gasoline		2,701	
Other Charges		5,100	
Total Sanitation Education/Information			31,567

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 48,640	
Total Adult Activities		\$ 48,640

Libraries

Deputy(ies)	\$ 19,516	
Librarians	30,728	
Bonus Payments	14,878	
Other Salaries and Wages	1,779	
Social Security	4,187	
Unemployment Compensation	369	
Employer Medicare	979	
Communication	1,631	
Dues and Memberships	425	
Janitorial Services	1,406	
Maintenance and Repair Services - Buildings	678	
Postal Charges	1,600	
Travel	929	
Other Contracted Services	240	
Custodial Supplies	450	
Data Processing Supplies	2,100	
Electricity	7,140	
Library Books/Media	15,017	
Natural Gas	630	
Office Supplies	1,834	
Water and Sewer	413	
Other Supplies and Materials	537	
Total Libraries		107,466

Other Social, Cultural, and Recreational

Contracts with Other Public Agencies	\$ 34,400	
Total Other Social, Cultural, and Recreational		34,400

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$ 8,320	
Supervisor/Director	10,900	
Secretary(ies)	5,411	
Social Security	1,168	
Local Retirement	2,591	
Communication	1,628	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Travel	\$	2,551	
Office Supplies		1,219	
Data Processing Equipment		899	
Other Equipment		299	
Total Agriculture Extension Service			\$ 34,986

Soil Conservation

Board and Committee Members Fees	\$	6,631	
Social Security		411	
Unemployment Compensation		113	
Employer Medicare		96	
Communication		334	
Contributions		800	
Total Soil Conservation			8,385

Other Operations

Tourism

Maintenance Personnel	\$	3,560	
Social Security		221	
Unemployment Compensation		54	
Employer Medicare		52	
Contracts with Other Public Agencies		1,618	
Maintenance and Repair Services - Buildings		2,989	
Electricity		2,500	
Garage Supplies		1,194	
Other Charges		1,189	
Building Improvements		5,082	
Total Tourism			18,459

Other Economic and Community Development

County Official/Administrative Officer	\$	26,000	
Assistant(s)		8,673	
In-Service Training		795	
Social Security		2,160	
Unemployment Compensation		260	
Employer Medicare		505	
Maintenance and Repair Services - Buildings		3,701	
Custodial Supplies		400	
Food Supplies		5,000	
Office Supplies		489	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development (Cont.)

Utilities	\$	9,178	
Other Supplies and Materials		1,300	
Building and Contents Insurance		2,500	
Other Charges		330	
Office Equipment		1,566	
Total Other Economic and Community Development			\$ 62,857

Public Transportation

Deputy(ies)	\$	11,895	
Social Security		737	
Unemployment Compensation		29	
Employer Medicare		173	
Other Supplies and Materials		314	
Law Enforcement Equipment		8,290	
Total Public Transportation			21,438

Airport

Maintenance Agreements	\$	2,539	
Electricity		1,068	
Building and Contents Insurance		1,088	
Total Airport			4,695

Veterans' Services

County Official/Administrative Officer	\$	1,719	
Other Per Diem and Fees		772	
Social Security		138	
Employer Medicare		36	
Total Veterans' Services			2,665

Other Charges

Other Salaries and Wages	\$	500	
Social Security		31	
Employer Medicare		7	
Total Other Charges			538

Contributions to Other Agencies

Contributions	\$	57,222	
Other Supplies and Materials		1,000	
Total Contributions to Other Agencies			58,222

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Workers' Compensation Insurance	\$ 35,512	
Total Employee Benefits		\$ 35,512

Payments to Cities

Matching Share	\$ 6,363	
Total Payments to Cities		6,363

Miscellaneous

Dues and Memberships	\$ 3,608	
Remittance of Revenue Collected	13,230	
Liability Insurance	34,318	
Trustee's Commission	43,650	
Total Miscellaneous		94,806

Capital Projects

General Administration Projects

Building Improvements	\$ 605	
Total General Administration Projects		605

Public Health and Welfare Projects

Motor Vehicles	\$ 104,577	
Total Public Health and Welfare Projects		104,577

Other General Government Projects

Supervisor/Director	\$ 1,600	
Social Security	99	
Unemployment Compensation	27	
Employer Medicare	23	
Building Improvements	69,985	
Total Other General Government Projects		71,734

Total General Fund		\$ 3,629,504
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Solid Waste/Sanitation Fund

Public Health and Welfare

General Welfare Assistance

Bonus Payments	\$ 1,000	
Social Security	62	
Employer Medicare	14	
Total General Welfare Assistance		\$ 1,076

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers

Equipment Operators	\$	66,670	
Other Salaries and Wages		5,045	
Social Security		4,444	
Unemployment Compensation		471	
Employer Medicare		1,039	
Communication		477	
Contracts with Private Agencies		83,542	
Evaluation and Testing		4,132	
Laundry Service		1,056	
Operating Lease Payments		9,967	
Maintenance and Repair Services - Equipment		22,536	
Travel		263	
Disposal Fees		1,000	
Diesel Fuel		20,265	
Electricity		3,093	
Water and Sewer		2,200	
Maintenance Equipment		11,875	
Total Convenience Centers			\$ 238,075

Landfill Operation and Maintenance

General Construction Materials	\$	9,199	
Total Landfill Operation and Maintenance			9,199

Other Operations

Other Charges

Trustee's Commission	\$	3,770	
Total Other Charges			3,770

Employee Benefits

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

Total Solid Waste/Sanitation Fund \$ 255,120

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	1,000	
Total Drug Enforcement			\$ 1,000

Total Drug Control Fund 1,000

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 54,626	
Total County Clerk's Office		\$ 54,626

Total Constitutional Officers - Fees Fund \$ 54,626

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,477	
Accountants/Bookkeepers	28,093	
Secretary(ies)	15,595	
Data Processing Services	5,273	
Dues and Memberships	2,413	
Freight Expenses	753	
Operating Lease Payments	1,761	
Legal Notices, Recording, and Court Costs	284	
Postal Charges	298	
Printing, Stationery, and Forms	516	
Travel	1,216	
Office Supplies	1,206	
Other Charges	763	
Total Administration		\$ 115,648

Highway and Bridge Maintenance

Foremen	\$ 80,052	
Equipment Operators	137,920	
Truck Drivers	110,762	
Laborers	57,034	
Other Contracted Services	54,077	
Asphalt - Cold Mix	9,586	
Asphalt - Liquid	118,932	
Concrete	137	
Crushed Stone	140,686	
Ice	373	
Other Road Supplies	9,423	
Pipe - Metal	19,048	
Road Signs	2,108	
Wood Products	1,083	
Other Supplies and Materials	300	
Total Highway and Bridge Maintenance		741,521

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment

Mechanic(s)	\$	44,144	
Maintenance and Repair Services - Equipment		5,147	
Maintenance and Repair Services - Vehicles		4,253	
Diesel Fuel		61,797	
Equipment and Machinery Parts		19,756	
Garage Supplies		2,641	
Gasoline		37,928	
Lubricants		1,319	
Propane Gas		41	
Small Tools		1,648	
Tires and Tubes		16,633	
Vehicle Parts		12,580	
Total Operation and Maintenance of Equipment			\$ 207,887

Other Charges

Communication	\$	2,547	
Contracts with Private Agencies		490	
Pest Control		250	
Rentals		134	
Custodial Supplies		506	
Drugs and Medical Supplies		369	
Electricity		3,466	
Water and Sewer		421	
Other Supplies and Materials		783	
Premiums on Corporate Surety Bonds		198	
Trustee's Commission		12,656	
Vehicle and Equipment Insurance		12,235	
Other Charges		1,615	
Total Other Charges			35,670

Employee Benefits

Social Security	\$	30,122	
Life Insurance		7,456	
Medical Insurance		119,728	
Unemployment Compensation		3,884	
Employer Medicare		7,045	
Laundry Service		4,804	
Workers' Compensation Insurance		27,258	
Total Employee Benefits			200,297

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Engineering Services	\$	3,940	
Bridge Construction		70,943	
Highway Equipment		500	
Office Equipment		2,688	
Total Capital Outlay		<u>78,071</u>	\$ <u>78,071</u>

Total Highway/Public Works Fund \$ 1,379,094

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	24,043	
Principal on Notes		97,595	
Principal on Capital Leases		25,730	
Principal on Other Loans		125,000	
Total General Government		<u>272,368</u>	\$ <u>272,368</u>

Education

Principal on Other Loans	\$	281,000	
Total Education			281,000

Interest on Debt

General Government

Interest on Bonds	\$	11,226	
Interest on Notes		26,252	
Interest on Capital Leases		1,416	
Interest on Other Loans		56,850	
Total General Government		<u>95,744</u>	

Education

Interest on Other Loans	\$	167,132	
Total Education			167,132

Other Debt Service

General Government

Trustee's Commission	\$	9,257	
Total General Government		<u>9,257</u>	

Total General Debt Service Fund 825,501

(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Industrial Development</u>			
Assessment Personnel	\$	10,000	
Equipment and Machinery Parts		158,512	
Other Charges		1,322	
Building Construction		560,000	
Building Improvements		11,057	
Total Industrial Development		<u>740,891</u>	\$ 740,891
 <u>Other Economic and Community Development</u>			
Other Charges	\$	12,353	
Total Other Economic and Community Development		<u>12,353</u>	12,353
Total General Capital Projects Fund			\$ 753,244
 <u>Other Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Housing and Urban Development</u>			
Other Construction	\$	86,572	
Total Housing and Urban Development		<u>86,572</u>	\$ 86,572
Total Other Capital Projects Fund			<u>86,572</u>
Total Governmental Funds - Primary Government			<u>\$ 6,984,661</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, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,069,848	
Career Ladder Program		43,000	
Career Ladder Extended Contracts		42,540	
Homebound Teachers		6,112	
Clerical Personnel		10,584	
Educational Assistants		117,724	
Other Salaries and Wages		11,882	
Certified Substitute Teachers		2,874	
Non-certified Substitute Teachers		31,768	
Social Security		195,830	
State Retirement		202,558	
Life Insurance		2,445	
Medical Insurance		226,021	
Unemployment Compensation		3,778	
Employer Medicare		45,797	
Other Contracted Services		69,501	
Instructional Supplies and Materials		65,073	
Textbooks		162,983	
Other Supplies and Materials		9,787	
Regular Instruction Equipment		103,075	
Total Regular Instruction Program			\$ 4,423,180

Special Education Program

Teachers	\$	325,185	
Career Ladder Program		4,000	
Homebound Teachers		2,640	
Educational Assistants		28,326	
Other Salaries and Wages		270	
Non-certified Substitute Teachers		3,500	
Social Security		21,245	
State Retirement		19,306	
Medical Insurance		31,156	
Unemployment Compensation		457	
Employer Medicare		4,969	
Other Supplies and Materials		1,477	
Special Education Equipment		553	
Total Special Education Program			443,084

(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

Teachers	\$	216,851	
Career Ladder Program		2,000	
Non-certified Substitute Teachers		2,255	
Social Security		12,702	
State Retirement		14,050	
Medical Insurance		18,157	
Unemployment Compensation		195	
Employer Medicare		2,971	
Instructional Supplies and Materials		1,177	
Other Supplies and Materials		449	
Vocational Instruction Equipment		8,667	
Total Vocational Education Program			\$ 279,474

Support Services

Attendance

Supervisor/Director	\$	28,361	
Career Ladder Program		500	
Social Security		1,718	
Unemployment Compensation		37	
Employer Medicare		402	
Travel		164	
Total Attendance			31,182

Health Services

Medical Personnel	\$	13,052	
Social Security		809	
Unemployment Compensation		26	
Employer Medicare		189	
Travel		473	
Drugs and Medical Supplies		209	
Other Supplies and Materials		241	
Health Equipment		306	
Total Health Services			15,305

Other Student Support

Guidance Personnel	\$	130,472	
School Resource Officer		12,000	
Other Salaries and Wages		51,697	
Social Security		11,076	

(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.)

State Retirement	\$	8,376	
Medical Insurance		3,779	
Unemployment Compensation		171	
Employer Medicare		2,590	
Evaluation and Testing		11,138	
Travel		3,900	
Other Contracted Services		1,584	
Other Supplies and Materials		28,968	
In Service/Staff Development		781	
Other Charges		2,276	
Other Equipment		9,314	
Total Other Student Support			\$ 278,122

Regular Instruction Program

Supervisor/Director	\$	166,636	
Career Ladder Program		3,000	
Librarians		166,344	
Instructional Computer Personnel		68,388	
Social Security		23,481	
State Retirement		20,974	
Medical Insurance		31,884	
Unemployment Compensation		298	
Employer Medicare		5,491	
Travel		3,384	
Library Books/Media		10,971	
Other Supplies and Materials		81	
In Service/Staff Development		11,310	
Other Charges		225	
Other Equipment		10,911	
Total Regular Instruction Program			523,378

Alternative Instruction Program

Supervisor/Director	\$	43,472	
Career Ladder Program		1,000	
Social Security		2,320	
State Retirement		2,855	
Medical Insurance		7,189	
Unemployment Compensation		35	
Employer Medicare		542	

(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.)

Alternative Instruction Program (Cont.)

Maintenance and Repair Services - Equipment	\$	1,299	
Other Supplies and Materials		161	
In Service/Staff Development		207	
Total Alternative Instruction Program			\$ 59,080

Special Education Program

Supervisor/Director	\$	36,677	
Career Ladder Program		1,000	
Psychological Personnel		47,575	
Secretary(ies)		14,525	
Clerical Personnel		14,525	
Other Salaries and Wages		10,080	
Social Security		7,447	
State Retirement		5,473	
Medical Insurance		4,065	
Unemployment Compensation		172	
Employer Medicare		1,742	
Travel		869	
Other Contracted Services		175	
Other Supplies and Materials		421	
Other Charges		412	
Total Special Education Program			145,158

Other Programs

On-Behalf Payments to OPEB	\$	26,779	
Total Other Programs			26,779

Board of Education

Board and Committee Members Fees	\$	5,100	
Social Security		316	
Unemployment Compensation		1	
Employer Medicare		74	
Audit Services		3,500	
Dues and Memberships		5,879	
Legal Services		1,313	
Travel		243	
Other Contracted Services		1,500	
Liability Insurance		100,783	
Trustee's Commission		38,772	

(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.)

Board of Education (Cont.)

Workers' Compensation Insurance	\$	66,020	
In Service/Staff Development		1,796	
Criminal Investigation of Applicants - TBI		3,256	
Other Charges		5,978	
Total Board of Education			\$ 234,531

Director of Schools

County Official/Administrative Officer	\$	84,171	
Career Ladder Program		1,000	
Clerical Personnel		12,521	
Social Security		5,911	
State Retirement		5,020	
Unemployment Compensation		38	
Employer Medicare		1,382	
Communication		5,708	
Dues and Memberships		2,133	
Postal Charges		3,228	
Travel		1,418	
Administration Equipment		1,133	
Total Director of Schools			123,663

Office of the Principal

Principals	\$	262,390	
Career Ladder Program		4,000	
Assistant Principals		81,117	
Secretary(ies)		88,543	
Clerical Personnel		31,752	
Other Salaries and Wages		2,400	
Social Security		28,962	
State Retirement		20,711	
Medical Insurance		9,550	
Unemployment Compensation		430	
Employer Medicare		6,776	
Communication		9,331	
Administration Equipment		11,961	
Total Office of the Principal			557,923

Fiscal Services

Accountants/Bookkeepers	\$	31,000	
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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.)

Fiscal Services (Cont.)

Secretary(ies)	\$	4,713	
Clerical Personnel		60,478	
Social Security		5,936	
Unemployment Compensation		114	
Employer Medicare		1,388	
Maintenance and Repair Services - Equipment		568	
Other Contracted Services		8,249	
Data Processing Supplies		2,168	
Office Supplies		7,704	
Other Supplies and Materials		1,360	
Other Charges		35	
Administration Equipment		1,113	
Total Fiscal Services			\$ 124,826

Operation of Plant

Guards	\$	34,046	
Custodial Personnel		166,615	
Other Salaries and Wages		39,935	
Social Security		14,897	
Unemployment Compensation		705	
Employer Medicare		3,484	
Rentals		12,000	
Disposal Fees		4,712	
Other Contracted Services		4,488	
Custodial Supplies		17,008	
Electricity		352,009	
Natural Gas		66,386	
Water and Sewer		55,192	
Other Supplies and Materials		1,215	
Boiler Insurance		3,332	
Other Charges		989	
Plant Operation Equipment		9,593	
Total Operation of Plant			786,606

Maintenance of Plant

Maintenance Personnel	\$	94,050	
Social Security		5,821	
Unemployment Compensation		181	
Employer Medicare		1,361	

(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.)

Maintenance of Plant (Cont.)

Maintenance and Repair Services - Buildings	\$	87,739	
Maintenance and Repair Services - Equipment		26,563	
Other Supplies and Materials		8,878	
Maintenance Equipment		1,578	
Total Maintenance of Plant			\$ 226,171

Transportation

Supervisor/Director	\$	38,400	
Mechanic(s)		50,797	
Bus Drivers		133,839	
Other Salaries and Wages		14,058	
Social Security		14,640	
Unemployment Compensation		558	
Employer Medicare		3,424	
Communication		1,580	
Maintenance and Repair Services - Vehicles		14,948	
Medical and Dental Services		1,950	
Travel		860	
Other Contracted Services		1,145	
Gasoline		72,500	
Lubricants		3,271	
Tires and Tubes		9,356	
Vehicle Parts		33,259	
Other Supplies and Materials		9,508	
In Service/Staff Development		963	
Other Charges		392	
Transportation Equipment		103,748	
Total Transportation			509,196

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	27,650	
Social Security		1,712	
Unemployment Compensation		38	
Employer Medicare		400	
Total Food Service			29,800

Community Services

Supervisor/Director	\$	15,663	
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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.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Other Salaries and Wages	\$	9,111	
Social Security		1,536	
Unemployment Compensation		67	
Employer Medicare		359	
Travel		356	
Other Supplies and Materials		1,230	
Other Charges		683	
Total Community Services			\$ 29,005

Early Childhood Education

Supervisor/Director	\$	24,451	
Teachers		115,302	
Educational Assistants		48,104	
Other Salaries and Wages		27,653	
Non-certified Substitute Teachers		2,968	
Social Security		16,114	
State Retirement		5,872	
Medical Insurance		9,269	
Unemployment Compensation		419	
Employer Medicare		3,044	
Travel		27	
Instructional Supplies and Materials		2,841	
Other Supplies and Materials		4,025	
Other Charges		1,233	
Total Early Childhood Education			261,322

Capital Outlay

Regular Capital Outlay

Consultants	\$	1,950	
Building Improvements		296,932	
Total Regular Capital Outlay			298,882

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	400,000	
Total Education			400,000

Total General Purpose School Fund \$ 9,806,667

(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

Instruction

Regular Instruction Program

Teachers	\$	138,774	
Educational Assistants		74,164	
Other Salaries and Wages		4,500	
Non-certified Substitute Teachers		1,065	
Social Security		13,077	
State Retirement		9,198	
Medical Insurance		7,914	
Unemployment Compensation		383	
Employer Medicare		3,058	
Instructional Supplies and Materials		10,073	
Other Supplies and Materials		1,943	
Total Regular Instruction Program			\$ 264,149

Special Education Program

Teachers	\$	92,477	
Educational Assistants		135,328	
Speech Pathologist		6,061	
Non-certified Substitute Teachers		3,505	
Social Security		14,631	
State Retirement		6,326	
Medical Insurance		1,260	
Unemployment Compensation		643	
Employer Medicare		3,422	
Contracts with Private Agencies		45,807	
Instructional Supplies and Materials		13,787	
Other Supplies and Materials		7,776	
Other Charges		425	
Total Special Education Program			331,448

Vocational Education Program

Other Contracted Services	\$	500	
Instructional Supplies and Materials		8,730	
Vocational Instruction Equipment		8,042	
Total Vocational Education Program			17,272

Support Services

Other Student Support

Travel	\$	3,688	
Other Contracted Services		6,620	

(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.)

Other Student Support (Cont.)

Other Supplies and Materials	\$ 1,395	
In Service/Staff Development	<u>3,900</u>	
Total Other Student Support		\$ 15,603

Regular Instruction Program

Supervisor/Director	\$ 15,308	
Clerical Personnel	4,708	
Other Salaries and Wages	48,505	
Social Security	4,565	
State Retirement	4,097	
Medical Insurance	3,655	
Unemployment Compensation	47	
Employer Medicare	951	
Other Contracted Services	1,193	
In Service/Staff Development	<u>13,451</u>	
Total Regular Instruction Program		96,480

Special Education Program

Travel	\$ 938	
In Service/Staff Development	<u>1,599</u>	
Total Special Education Program		2,537

Vocational Education Program

Other Charges	\$ 548	
Total Vocational Education Program		<u>548</u>

Total School Federal Projects Fund \$ 728,037

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 279,160
Social Security	17,277
Unemployment Compensation	789
Employer Medicare	4,041
Communication	1,335
Maintenance and Repair Services - Equipment	21,884
Transportation - Other than Students	4,007
Travel	897

(Continued)

Exhibit J-8

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

<u>Central Cafeteria Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Food Service (Cont.)</u>		
Other Contracted Services	\$	11,685
Food Supplies		350,923
Other Supplies and Materials		34,794
In Service/Staff Development		782
Other Charges		5,747
Food Service Equipment		15,683
Total Food Service		<u>749,004</u>
	\$	<u>749,004</u>
Total Central Cafeteria Fund		<u>\$ 749,004</u>
Total Governmental Funds - Houston County School Department		<u>\$ 11,283,708</u>

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, 2009

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 396,071
Total Cash Receipts	<u>\$ 396,071</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 392,110
Trustee's Commission	<u>3,961</u>
Total Cash Disbursements	<u>\$ 396,071</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2008	<u>0</u>
Cash Balance, June 30, 2009	<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 37243-1402
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

February 18, 2010

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, 2009, which collectively comprise Houston County's basic financial statements and have issued our report thereon dated February 18, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Houston County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Houston County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 09.01, 09.02, 09.03, 09.06, and 09.08.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09.01 and 09.02 to be material weaknesses.

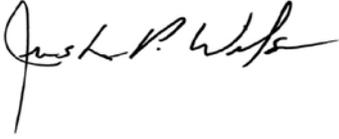
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houston County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 09.04 and 09.05.

We consider item 09.07 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Houston County in separate communications.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Houston County, 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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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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 37243-1402
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

February 18, 2010

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, 2009. 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 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 of 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, 2009.

Internal Control Over Compliance

The management of Houston County is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Houston County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

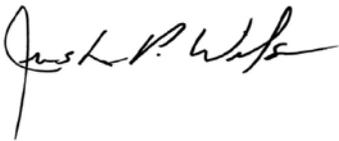
Schedule of Expenditures of Federal Awards

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 as of and for the year ended June 30, 2009, and have issued our report thereon dated February 18, 2010. 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 our opinions on the financial statements that collectively comprise Houston County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards 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 management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Houston County, 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.

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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Houston County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2009

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 Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 121,242
National School Lunch Program	10.555	N/A	305,845 (4)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	48,396 (4)
Total U.S. Department of Agriculture			\$ 475,483
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	(2)	\$ 816,406
Total U.S. Department of Housing and Urban Development			\$ 816,406
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(3)	\$ 9,000
Total U.S. Department of Justice			\$ 9,000
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-09-214615-00	\$ 18,692
Total U.S. Department of Transportation			\$ 18,692
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 279,029
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	316,363
Special Education - Preschool Grants	84.173	N/A	21,533
Career and Technical Education - Basic Grants to States	84.048	N/A	33,337
Safe and Drug-free Schools and Communities - State Grants	84.186	(3)	17,133
State Grants for Innovative Programs	84.298	N/A	117
Improving Teacher Quality State Grants	84.367	N/A	76,416
Total U.S. Department of Education			\$ 743,928
Total Expenditures of Federal Awards			\$ 2,063,509
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(3)	\$ 3,850
Preventive Health and Human Services - State Department of Health	N/A	Z-09-213737-00	36,466
Litter Grant - State Department of Transportation	N/A	Z-09-212760-00	17,607
Waste Tire Options Grant - State Department of Environment and Conservation	N/A	Z-08-212998-00	3,350
Safe Schools Act of 2003 - State Department of Education	N/A	(3)	27,713
Coordinated School Health - State Department of Education	N/A	(3)	145,236
Early Childhood Education - State Department of Education	N/A	(3)	261,323
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(3)	8,805
Family Resource Center - State Department of Education	N/A	(3)	28,703
High School That Work - State Department of Education	N/A	(3)	5,976
Total State Grants			\$ 539,029

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) GG-08-24585: \$729,834; GG-09-27980-00: \$86,572.
(3) Information not available.
(4) Total for CFDA No. 10.555 is \$354,241.

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Houston County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2009

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, 2008, which have not been corrected.

HOUSTON COUNTY AND HOUSTON COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.01	162	Houston County and the Houston County School Department do not have the resources to produce financial statements and notes to the financial statements

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.02	163	The General and General Debt Service funds required material audit adjustments for proper financial statement presentation
08.03	163	A formal purchase order system had not been established

OFFICE OF COUNTY CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.07	165	Collections were not deposited intact, and a set amount of cash was not maintained on hand

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.09	166	A central system of accounting, budgeting, and purchasing had not been adopted
08.10	167	Duties were not segregated adequately in the Offices of 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, 2009

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 significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Houston County.
4. The audit disclosed no significant deficiencies 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 Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) 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; however, management did not provide responses for inclusion in this report.

HOUSTON COUNTY AND HOUSTON COUNTY SCHOOL DEPARTMENT

FINDING 09.01 HOUSTON COUNTY AND THE HOUSTON COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Houston County's and the Houston County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist Houston County and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Houston County and the Houston County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

FINDING 09.02 MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2009, certain general ledger account balances in the General, Highway/Public Works, and General Debt Service funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Houston County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting systems did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency, as it relates to the Office of County Mayor, is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

County officials should have appropriate processes in place to ensure that their general ledgers are materially correct.

OFFICE OF COUNTY MAYOR

FINDING 09.03 A FORMAL PURCHASE ORDER SYSTEM HAD NOT BEEN ESTABLISHED
(Internal Control – Significant Deficiency 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. We were advised by officials that Houston County implemented a purchase order system on July 1, 2009.

RECOMMENDATION

A formal purchase order system should be used to improve internal controls over the purchasing process and to document purchasing commitments.

FINDING 09.04 THE AMBULANCE SERVICE ISSUED GENERIC RECEIPTS IN-LIEU-OF OFFICIAL RECEIPTS
(Noncompliance Under Government Auditing Standards)

The Ambulance Service did not issue official receipts for collections as required by Section 9-2-104, Tennessee Code Annotated. Instead, the office used generic receipts that did not display the official name of the county and office. This deficiency occurred because management was not aware of this statute. The use of generic receipts exposes the office to risks that collections may not be accounted for properly.

RECOMMENDATION

The office should issue official prenumbered receipts that clearly reflect the name of the county and the office.

OFFICE OF TRUSTEE

FINDING 09.05 DEFICIENCIES WERE NOTED WITH SECURITIES PLEDGED AS COLLATERAL
(Noncompliance Under Government Auditing Standards)

The trustee did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2009, deposits at one depository exceeded FDIC coverage and collateral securities by \$16,801. Section 5-8-201, Tennessee Code Annotated (TCA), provides for county officials to require any bank that is a depository of county funds to deposit collateral security equal to 105 percent of funds exceeding FDIC coverage into an escrow account in a second bank. Also, the types of securities pledged at the depository included obligations of municipalities, counties, and utility districts of other states, which are not a type of security authorized by Section 9-4-103, TCA. This statute requires securities to be bonds of the United States, bonds of this state, bonds of any county or municipal corporation of this state, or loans to students guaranteed 100 percent by the Tennessee Student Assistance Corporation.

RECOMMENDATION

The trustee should require all depositories to pledge adequate securities to protect county funds exceeding FDIC coverage as required by state statute. These securities should be a type authorized by state statute.

OFFICE OF COUNTY CLERK

FINDING 09.06 COLLECTIONS WERE NOT DEPOSITED INTACT, AND A SET AMOUNT OF CASH ON HAND WAS NOT MAINTAINED
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The county clerk did not maintain a set amount of cash on hand and did not deposit cash collections intact; i.e., funds collected during a specific period of time were not deposited together. Instead, the clerk deposited varying amounts of cash and did not maintain a set amount of cash on hand. Sound business practices dictate that collections be deposited intact and that a set amount of cash on hand be maintained to enhance internal controls. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. 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 and maintain a set amount of cash on hand.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 09.07 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

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.

FINDING 09.08

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

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of 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. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

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

There were no findings and questioned costs for federal awards.

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**HOUSTON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2009**

There were no audit findings relative to federal awards presented in the prior- or current-years' Schedules of Findings and Questioned Costs.