
ANNUAL FINANCIAL REPORT HOUSTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



ANNUAL FINANCIAL REPORT
HOUSTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2010

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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, 2010

Scope

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2010.

Results

Our report on Houston County's financial statements is unqualified.

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

Findings and Best Practice

The following are summaries of the audit findings and best practice:

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, General Debt Service, General Capital Projects, and Other Capital Projects funds required material audit adjustments for proper financial statement presentation.

OFFICE OF COUNTY MAYOR

- ◆ Purchase orders were not issued in all applicable instances and in some instances were issued after the purchases were made.
 - ◆ The Ambulance Service issued generic receipts in-lieu-of official receipts.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Department did not account for American Recovery and Reinvestment Act grants separately from other school funds.
-

OFFICES OF CIRCUIT COURT CLERK AND CLERK AND MASTER

- ◆ The offices had deficiencies in computer system backup procedures.
-

OFFICE OF CLERK AND MASTER

- ◆ The office did not review its software audit logs.
-

OTHER FINDINGS

- ◆ Houston County has material recurring audit findings.
 - ◆ Duties were not segregated adequately among the officials and employees in the Ambulance Service and in the Offices of County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff.
-

BEST PRACTICE

Houston County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Houston County.

INTRODUCTORY SECTION

Houston County Officials
June 30, 2010

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	James Fussell
William Agy	Steve Hall
Charles Arnold, Jr.	Darrell Kingsmill
Glen Baggett	Donnie Lewis
Sammie Bass, Jr.	Chris Selph
Nelda Ellingson	Larry Sykes
Ray Elliott	James Van Fleet
Randall French	

Board of Education

Tommy Beechum, Chairman	Robert Mitchell
Kendall Coleman	Carlisle Mitchum, III
Sandy Harvey	Robert Skelton
Charlie Ligon	

FINANCIAL SECTION



**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
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INDEPENDENT AUDITOR'S REPORT

February 7, 2011

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, 2010, 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 did not audit the financial statements of the discretely presented Houston County Emergency Communications District, which represent 4.5 percent and 1.8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Houston County Emergency Communications District, is based on the report of other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Houston County, Tennessee, as of June 30, 2010, 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 7, 2011, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

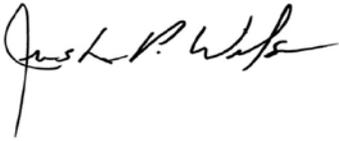
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 56 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 by us in the audit of the basic financial statements and, in our opinion, based on our audit, 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 by us 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 written in a cursive style with a large initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Houston County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Government Governmental Activities	Component Units	
		Houston County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 6,765	\$ 0	\$ 393,960
Equity in Pooled Cash and Investments	2,844,359	3,731,141	0
Accounts Receivable	883,807	0	6,831
Allowance for Uncollectibles	(360,551)	0	0
Due from Other Governments	335,888	361,106	3,400
Due from Component Units	158,559	0	0
Property Taxes Receivable	2,354,362	708,984	0
Allowance for Uncollectible Property Taxes	(53,208)	(16,023)	0
Prepaid Items	0	0	157
Accrued Interest Receivable	0	37,454	3,162
Capital Assets:			
Assets Not Depreciated:			
Land	697,097	333,220	0
Construction in Progress	229,509	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,306,992	8,100,985	24,201
Infrastructure	907,361	0	243,369
Other Capital Assets	977,460	1,112,285	0
Total Assets	<u>\$ 11,288,400</u>	<u>\$ 14,369,152</u>	<u>\$ 675,080</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 13,323	\$ 77,418	\$ 219
Payroll Deductions Payable	183	144,384	0
Contracts Payable	149,567	127,881	0
Retainage Payable	27,166	0	0
Accrued Interest Payable	17,621	0	0
Due to State of Tennessee	2,880	0	0
Deferred Revenue - Current Property Taxes	2,174,606	654,853	0
Noncurrent Liabilities:			
Due Within One Year	648,450	0	17,066
Due in More Than One Year	11,373,630	107,628	141,421
Total Liabilities	<u>\$ 14,407,426</u>	<u>\$ 1,112,164</u>	<u>\$ 158,706</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 1,675,362	\$ 0	\$ 109,083
Invested in Capital Assets	0	9,546,490	0
Restricted for:			
Solid Waste/Sanitation	99,080	0	0
Highway/Public Works	493,927	0	0
Central Cafeteria	0	244,616	0
Debt Service	1,506,521	0	0
Other Purposes	157,501	87,872	0
Unrestricted	(7,051,417)	3,378,010	407,291
Total Net Assets (Deficit)	<u>\$ (3,119,026)</u>	<u>\$ 13,256,988</u>	<u>\$ 516,374</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, 2010

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services			Operating Grants and Contributions			Component Units		
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Houston County School Department	Emergency Communications District	Total Governmental Activities	Houston County School Department	Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	\$ 519,751	\$ 69,228	\$ 12,285	\$ 0	\$ (438,238)	\$ 0	\$ 0	\$ 0	0
Finance	340,873	208,856	3,070	0	(128,947)	0	0	0	0
Administration of Justice	340,745	186,523	65,606	0	(88,616)	0	0	0	0
Public Safety	1,340,308	163,388	137,817	0	(1,039,103)	0	0	0	0
Public Health and Welfare	1,226,435	646,303	137,695	0	(442,437)	0	0	0	0
Social, Cultural, and Recreational Services	215,351	0	0	0	(215,351)	0	0	0	0
Agriculture and Natural Resources	91,256	0	0	0	(91,256)	0	0	0	0
Other Operations	1,180,447	31,057	42,275	1,448,552	341,437	0	0	0	0
Highway/Public Works	1,675,572	21,424	1,244,126	342,918	(67,104)	0	0	0	0
Interest on Long-term Debt	146,562	0	421,700	0	275,138	0	0	0	0
Other Debt Service	8,560	0	0	0	(8,560)	0	0	0	0
Total Primary Government	\$ 7,085,860	\$ 1,326,779	\$ 2,064,574	\$ 1,791,470	\$ (1,903,037)	\$ 0	\$ 0	\$ 0	0
Component Units:									
Houston County School Department	\$ 11,801,875	\$ 297,887	\$ 2,006,680	\$ 14,459	\$ 0	\$ (9,482,849)	\$ 0	\$ 0	0
Emergency Communications District	202,415	103,051	98,162	0	0	0	0	0	(1,202)
Total Component Units	\$ 12,004,290	\$ 400,938	\$ 2,104,842	\$ 14,459	\$ 0	\$ (9,482,849)	\$ 0	\$ 0	(1,202)

(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 Units		
				Total Governmental Activities	Houston County School Department	Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes	\$	2,163,514	\$	670,651	\$	0
Property Taxes Levied for Debt Service		65,251		0		0
Local Option Sales Taxes		96,291		503,197		0
Payments in-Lieu-of Taxes - Local Utilities		30,589		0		0
Wheel Tax		324,168		0		0
Wholesale Beer Tax		36,396		0		0
Other Local Taxes		40,556		30,251		0
Grants and Contributions Not Restricted to Specific Programs		115,220		8,448,054		18,000
Unrestricted Investment Income		0		169,652		6,398
Miscellaneous		42,874		36,995		5
Total General Revenues	\$	2,914,859	\$	9,858,800	\$	24,403
Change in Net Assets	\$	1,011,822	\$	375,951	\$	23,201
Net Assets (Deficit), July 1, 2009		(4,305,635)		12,881,037		493,173
Prior-period Adjustment		174,787		0		0
Net Assets (Deficit), June 30, 2010	\$	(3,119,026)	\$	13,256,988	\$	516,374

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

Exhibit C-1

Houston County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 6,765	\$ 6,765
Equity in Pooled Cash and Investments	1,106,846	212,298	1,418,898	106,317	2,844,359
Accounts Receivable	803,260	80,490	19	38	883,807
Allowance for Uncollectibles	(360,551)	0	0	0	(360,551)
Due from Other Governments	100,701	229,982	192	5,013	335,888
Due from Component Units	0	72	158,487	0	158,559
Property Taxes Receivable	2,073,444	13,377	31,106	236,435	2,354,362
Allowance for Uncollectible Property Taxes	(46,859)	(302)	(1,362)	(4,685)	(53,208)
Advances to Other Funds	0	0	100,000	0	100,000
Total Assets	\$ 3,676,841	\$ 535,917	\$ 1,707,340	\$ 349,883	\$ 6,269,981
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 0	\$ 13,323	\$ 0	\$ 0	\$ 13,323
Payroll Deductions Payable	157	26	0	0	183
Contracts Payable	1,623	0	0	147,944	149,567
Retainage Payable	27,166	0	0	0	27,166
Due to State of Tennessee	2,748	0	0	132	2,880
Deferred Revenue - Current Property Taxes	1,915,136	12,356	24,711	222,403	2,174,606
Deferred Revenue - Delinquent Property Taxes	101,137	655	4,711	8,703	115,206
Other Deferred Revenues	425,523	131,497	0	4,555	561,575
Advances from Other Funds	100,000	0	0	0	100,000
Total Liabilities	\$ 2,573,490	\$ 157,857	\$ 29,422	\$ 383,737	\$ 3,144,506
Fund Balances					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 4,050	\$ 4,050
Reserved for Resort District	93,551	0	0	0	93,551
Reserved for Alcohol and Drug Treatment	16,261	0	0	0	16,261
Reserved for Sexual Offender Registration	3,959	0	0	0	3,959
Reserved for Courtroom Security	1,245	0	0	0	1,245
Reserved for Computer System - Register	8,105	0	0	0	8,105
Reserved for Automation Purposes - General Sessions Court	11,113	0	0	0	11,113
Reserved for Automation Purposes - Juvenile Court	504	0	0	0	504
Reserved for Automation Purposes - Chancery Court	400	0	0	0	400
Reserved for Automation Purposes - County Clerk	860	0	0	0	860
Reserved for Long-term Notes Receivable	0	0	100,000	0	100,000
Reserved for Long-term Due from Component Units	0	0	158,487	0	158,487
Unreserved, Reported In:					
General Fund	967,353	0	0	0	967,353
Special Revenue Funds	0	378,060	0	114,090	492,150
Debt Service Funds	0	0	1,419,431	0	1,419,431
Capital Projects Funds (Deficit)	0	0	0	(151,994)	(151,994)
Total Fund Balances	\$ 1,103,351	\$ 378,060	\$ 1,677,918	\$ (33,854)	\$ 3,125,475
Total Liabilities and Fund Balances	\$ 3,676,841	\$ 535,917	\$ 1,707,340	\$ 349,883	\$ 6,269,981

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, 2010

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)		\$	3,125,475
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	697,097	
Add: construction in progress		229,509	
Add: buildings and improvements net of accumulated depreciation		2,306,992	
Add: infrastructure net of accumulated depreciation		907,361	
Add: other capital assets net of accumulated depreciation		<u>977,460</u>	5,118,419
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred			676,781
(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	\$	(710,671)	
Less: other loans payable		(10,532,200)	
Less: bonds payable		(199,186)	
Less: compensated absences payable		(16,285)	
Less: landfill closure/postclosure care costs		(563,738)	
Less: accrued interest on notes and bonds		<u>(17,621)</u>	<u>(12,039,701)</u>
Net assets (deficit) of governmental activities (Exhibit A)			<u>\$ (3,119,026)</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, 2010

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,251,793	\$ 13,202	\$ 399,364	\$ 135,151	\$ 2,799,510
Licenses and Permits	3,701	0	0	0	3,701
Fines, Forfeitures, and Penalties	33,791	0	0	56,279	90,070
Charges for Current Services	610,264	0	0	53,878	664,142
Other Local Revenues	63,114	21,559	2,903	13,678	101,254
Fees Received from County Officials	263,697	0	0	0	263,697
State of Tennessee	955,700	1,597,881	80,600	289,499	2,923,680
Federal Government	76,007	0	0	544,067	620,074
Other Governments and Citizens Groups	95,084	0	421,772	40,567	557,423
Total Revenues	\$ 4,353,151	\$ 1,632,642	\$ 904,639	\$ 1,133,119	\$ 8,023,551
<u>Expenditures</u>					
Current:					
General Government	\$ 509,528	\$ 0	\$ 0	\$ 0	\$ 509,528
Finance	275,932	0	0	54,501	330,433
Administration of Justice	325,572	0	0	0	325,572
Public Safety	1,075,706	0	0	36,554	1,112,260
Public Health and Welfare	861,369	0	0	272,824	1,134,193
Social, Cultural, and Recreational Services	202,300	0	0	0	202,300
Agriculture and Natural Resources	82,145	0	0	0	82,145
Other Operations	253,870	0	0	987,383	1,241,253
Highways	0	1,889,383	0	0	1,889,383
Debt Service:					
Principal on Debt	0	0	563,002	0	563,002
Interest on Debt	0	0	140,168	0	140,168
Other Debt Service	0	0	8,560	0	8,560
Capital Projects	772,485	0	0	0	772,485
Total Expenditures	\$ 4,358,907	\$ 1,889,383	\$ 711,730	\$ 1,351,262	\$ 8,311,282
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,756)	\$ (256,741)	\$ 192,909	\$ (218,143)	\$ (287,731)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 170,000	\$ 0	\$ 0	\$ 0	\$ 170,000
Insurance Recovery	57,359	64,509	0	0	121,868
Total Other Financing Sources (Uses)	\$ 227,359	\$ 64,509	\$ 0	\$ 0	\$ 291,868
Net Change in Fund Balances	\$ 221,603	\$ (192,232)	\$ 192,909	\$ (218,143)	\$ 4,137
Fund Balance, July 1, 2009	881,748	570,292	1,310,294	184,289	2,946,623
Prior-period Adjustment	0	0	174,787	0	174,787
Fund Balance, June 30, 2010	\$ 1,103,351	\$ 378,060	\$ 1,677,990	\$ (33,854)	\$ 3,125,547

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, 2010

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)		\$	4,137
(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	\$	966,662	
Less: current year depreciation expense		<u>(414,537)</u>	552,125
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$	676,781	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(602,650)</u>	74,131
(3) The issuance of long-term debt (e.g., notes, bonds, 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	\$	(170,000)	
Add: principal payments on notes		111,958	
Add: principal payments on other loans		427,000	
Add: principal payments on bonds		<u>24,044</u>	393,002
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest payable	\$	(6,394)	
Change in compensated absences payable		1,505	
Change in landfill closure/postclosure care costs		<u>(6,684)</u>	<u>(11,573)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,011,822</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 181,163
Investments	441
Due from Other Governments	<u>71,914</u>
Total Assets	<u>\$ 253,518</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 71,914
Due to Litigants, Heirs, and Others	<u>181,604</u>
Total Liabilities	<u>\$ 253,518</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, 2010

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 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. 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 funds 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.

Additionally, Houston County reports the following fund types:

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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 that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 1.21 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.

Retainage payable in the primary government’s General Fund represents amounts withheld from payments made on a construction contract pending completion of the project. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the General Fund.

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 government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. 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:

Assets	Years	
	Primary Government	Houston County School Department
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 vacation 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 \$2,257,029 of restricted net assets, of which \$93,551 is restricted by enabling legislation.

As of June 30, 2010, Houston County had \$7,999,000 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.

7. Prior-period Adjustment

The financial statements of the primary government report a prior-period adjustment totaling \$174,787. This adjustment resulted from the omission of a long-term commitment from the discretely presented Emergency Communications District to Houston County.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide Statement of Net Assets.

Discretely Presented Houston County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide Statement of Net Assets.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

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

Discretely Presented Houston County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances

may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the 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.

B. Fund Deficits

The General Capital Projects Fund had a deficit in unreserved fund balance of \$98,428 at June 30, 2010. This deficit resulted from the recognition of contracts payable totaling \$98,428 at June 30, 2010, and filing for reimbursement of the contracts payable subsequent to that date. This deficit was liquidated subsequent to June 30, 2010, from grant proceeds.

The Other Capital Projects Fund had a deficit in unreserved fund balance of \$53,566 at June 30, 2010. This deficit resulted from the recognition of contracts payable totaling \$49,516 and consulting fees of \$4,050 being reserved as an encumbrance at June 30, 2010, and filing for reimbursement of the contracts payable subsequent to that date. This deficit was liquidated subsequent to June 30, 2010, from grant proceeds.

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 Comptroller's Office 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 fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2010, 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	\$ 441

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, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 696,965	\$ 132	\$ 697,097
Construction in Progress	0	229,509	229,509
Total Capital Assets Not Depreciated	<u>\$ 696,965</u>	<u>\$ 229,641</u>	<u>\$ 926,606</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 3,290,015	\$ 0	\$ 3,290,015
Infrastructure	281,804	682,451	964,255
Other Capital Assets	4,220,813	54,570	4,275,383
Total Capital Assets Depreciated	<u>\$ 7,792,632</u>	<u>\$ 737,021</u>	<u>\$ 8,529,653</u>

Governmental Activities (Cont.):

	Balance 7-1-09	Increases	Balance 6-30-10
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 907,073	\$ 75,950	\$ 983,023
Infrastructure	30,247	26,647	56,894
Other Capital Assets	2,985,983	311,940	3,297,923
Total Accumulated Depreciation	<u>\$ 3,923,303</u>	<u>\$ 414,537</u>	<u>\$ 4,337,840</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,869,329</u>	<u>\$ 322,484</u>	<u>\$ 4,191,813</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,566,294</u>	<u>\$ 552,125</u>	<u>\$ 5,118,419</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	204,707
Public Health and Welfare	52,034
Social, Cultural, and Recreational Services	12,731
Agriculture and Natural Resources	3,724
Other Operations	17,061
Highway/Public Works	<u>81,844</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 414,537</u></u>

Discretely Presented Houston County School Department

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 333,220	\$ 0	\$ 0	\$ 333,220
Total Capital Assets Not Depreciated	\$ 333,220	\$ 0	\$ 0	\$ 333,220
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,877,894	\$ 0	\$ 0	\$ 13,877,894
Other Capital Assets	2,433,296	189,295	(86,871)	2,535,720
Total Capital Assets Depreciated	\$ 16,311,190	\$ 189,295	\$ (86,871)	\$ 16,413,614
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,461,769	\$ 315,140	\$ 0	\$ 5,776,909
Other Capital Assets	1,343,255	162,720	(82,540)	1,423,435
Total Accumulated Depreciation	\$ 6,805,024	\$ 477,860	\$ (82,540)	\$ 7,200,344
Total Capital Assets Depreciated, Net	\$ 9,506,166	\$ (288,565)	\$ (4,331)	\$ 9,213,270
Governmental Activities Capital Assets, Net	\$ 9,839,386	\$ (288,565)	\$ (4,331)	\$ 9,546,490

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

Governmental Activities:

Instruction	\$ 209,507
Support Services	238,588
Operation of Non-Instructional Services	<u>29,765</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 477,860</u></u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government: Highway/Public Works	Component Unit: Emergency Communications District	\$ 72
General Debt Service	Emergency Communications District	158,487

The receivable in the Highway/Public Works Fund was in transit from the Emergency Communications District at June 30, 2010.

Interfund Loans to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General Debt Service	General	\$ 100,000

This balance resulted from an advance to the General Fund to finance costs associated with flood damage.

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, 2010, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	4 to 5 %	\$ 606,500	\$ 199,186
Capital Outlay Notes	3.29 to 4.64	1,011,987	710,671
Other Loans	variable	13,446,200	10,532,200

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, 2010, Houston County had 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, 2010, the variable interest rate was .37 percent for all loans. Other fees totaled approximately .35 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, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 24,395	\$ 9,273	\$ 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
2016-2018	73,098	5,107	78,205
Total	\$ 199,186	\$ 39,360	\$ 238,546

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 131,877	\$ 26,568	\$ 158,445
2012	108,543	21,479	130,022
2013	90,732	17,297	108,029
2014	88,232	13,941	102,173
2015	88,230	10,685	98,915
2016-2020	203,057	15,517	218,574
Total	\$ 710,671	\$ 105,487	\$ 816,158

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2011	\$ 448,000	\$ 38,969	\$ 53,703	\$ 540,672
2012	471,000	37,312	51,463	559,775
2013	494,000	35,569	49,108	578,677
2014	518,000	33,741	46,638	598,379
2015	544,000	31,824	44,048	619,872
2016-2020	3,109,200	126,829	176,600	3,412,629
2021-2025	3,559,000	65,553	93,057	3,717,610
2026-2027	1,389,000	7,640	11,699	1,408,339
Total	\$ 10,532,200	\$ 377,437	\$ 526,316	\$ 11,435,953

There is \$1,419,431 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$25, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$1,415, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:	Other		
	Bonds	Notes	Loans
Balance, July 1, 2009	\$ 223,230	\$ 652,629	\$ 10,959,200
Additions	0	170,000	0
Deductions	(24,044)	(111,958)	(427,000)
Balance, June 30, 2010	\$ 199,186	\$ 710,671	\$ 10,532,200
Balance Due Within One Year	\$ 24,395	\$ 131,877	\$ 448,000

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2009	\$ 17,790	\$ 557,054
Additions	23,478	6,684
Deductions	(24,983)	0
	<hr/>	<hr/>
Balance, June 30, 2010	\$ 16,285	\$ 563,738
	<hr/>	<hr/>
Balance Due Within One Year	\$ 814	\$ 43,364
	<hr/>	<hr/>

Compensated absences will be paid from the employing fund, the Highway/Public Works Fund. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 12,022,080
Less: Balance Due Within One Year	<u>(648,450)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,373,630</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, 2010, was as follows:

Governmental Activities:	Other Postemployment Benefits
	<hr/>
Balance, July 1, 2009	\$ 70,230
Additions	79,160
Deductions	<u>(41,762)</u>
	<hr/>
Balance, June 30, 2010	\$ 107,628
	<hr/>
Balance Due Within One Year	<u>\$ 0</u>
	<hr/>

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 are approximately \$8,716,455 with annual requirements ranging from approximately \$380,210 in the next fiscal year to \$682,499 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 \$369,256 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, 2010, were \$21,419 and \$7,074, 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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance, nonfinancial in nature, and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Houston County and the Houston County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Houston County may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Houston County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Houston County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Houston County may enter into derivative transactions in subsequent years.

C. Subsequent Events

On August 31, 2010, Kenneth Barnes left the Office of Sheriff and was succeeded by Darrell Allison.

On December 3, 2010, Houston County issued \$77,877 in capital outlay notes to purchase equipment for the Highway Department.

On December 17, 2010, Houston County issued \$92,879 in capital outlay notes to purchase an ambulance.

On December 20, 2010, Houston County issued \$500,000 in capital outlay notes for the Houston County School Department to repair damages caused by the May 2010 flood.

D. Contingent Liabilities

The county attorney advised that there is no pending or threatened litigation against the county.

The attorney for the county's insurance provider has advised that the discretely presented School Department is a defendant in one matter of litigation. The attorney states that the School Department is fully insured for this occurrence, 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 \$563,738 reported as postclosure care liability at June 30, 2010, represents amounts based on what it would cost to perform all postclosure care in 2010. 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, 2010.

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/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer

rate for the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008, were \$333,124, \$327,550, and \$319,661, 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, 2010, the Houston County School Department contributed \$38,769 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 76,000
Interest on the NPO	3,160
Adjustment to the ARC	(2,993)
Annual OPEB cost	<hr/> \$ 76,167
Less: Amount of contribution	(38,769)
Increase/decrease in NPO	\$ 37,398
Net OPEB obligation, 7-1-09	<hr/> 70,230
	<hr/>
Net OPEB obligation, 6-30-10	<u>\$ 107,628</u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-08	Local Education Group	\$ 58,777	46%	\$ 31,809
6-30-09	"	59,558	35	70,230
6-30-10	"	76,167	51	107,628

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-09
Actuarial accrued liability (AAL)	\$ 715,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 715,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,742,372
UAAL as a % of covered payroll	26%

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 multi-year 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, 2009, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

VI. OTHER NOTES – DISCRETELY PRESENTED HOUSTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

The Houston County Emergency Communications District was created under Section 7-86-104, Tennessee Code Annotated, by a referendum of voters in Houston County, Tennessee, on August 6, 1992. The purpose of the district is to provide a simplified means of securing emergency services by telephone to those persons living in the county. The district is considered a component unit of the county because the board of directors is appointed by the county mayor. The County Commission has the authority to adjust rates charged by the district, and the County Commission must approve most debts issued by the district.

2. Measurement Focus/Basis of Accounting

The accounting policy of the district conforms to generally accepted accounting principles applicable to governments as defined in the statements of the Governmental Accounting Standards Board (GASB). The district also elected to apply generally accepted accounting principles as defined by the Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989. After that date, the district is required by the Office of the Comptroller of the Treasury to apply only GASB pronouncements.

The financial statements are prepared on the basis of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments and related standards. This statement provides for various terminologies and includes recognition of capital grants in the Statement of Revenues, Expenses, and Changes in Net Assets; a presentation of net assets; as well as an inclusion of a Management Discussion and Analysis; supplementary information; and other changes.

The district is considered an enterprise fund, which uses the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for using an economic resources measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with this activity are included on the balance sheet. Their reported net assets are segregated into amounts invested in capital assets, restricted net assets, and unrestricted net assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

3. Property and Equipment

Property and equipment are recorded at historical cost. Maintenance repairs and minor renewals are expensed as incurred. Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

	Method	Estimated Useful Life Years	2010 Depreciation
Buildings and Improvements	S/L	5-40	\$ 1,165
Communications Equipment	S/L	5-10	43,702
Furniture and Fixtures	S/L	5-10	395
Office Equipment	S/L	5	0
Other Equipment	S/L	10	0
Vehicles	S/L	5	0
Total			<u>\$ 45,262</u>

4. Major Sources of Revenue

The major source of operating revenue are emergency telephone and wireless surcharges. Nonoperating revenue consists of interest income and state grants and reimbursements.

B. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The following is a schedule of bank accounts at June 30, 2010:

Checking - Traditions First Bank	\$ 168,070
Certificates of Deposit - Traditions First Bank	<u>225,890</u>
 Total Deposits	 <u><u>\$ 393,960</u></u>

At June 30, 2010, the carrying amount of the Houston County Emergency Communications District's cash deposits was \$393,960. The district's deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation, leaving \$143,960 in uninsured and uncollateralized deposits. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, Tennessee Code Annotated.

C. Bonding and Insurance

Houston County Emergency Communications District has a bond totaling \$15,000 covering the treasurer only as of June 30, 2010. Houston County carries insurance for various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, which also covers the district. There have been no claims or losses from the above risks in the past three years, and there has been no significant reduction in the limits of coverage.

D. Capital Assets

The following is a schedule of capital assets at June 30, 2010:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Buildings and Improvements	\$ 28,371	\$ (4,170)	\$ 24,201
Communications Equipment	523,720	(281,673)	242,047
Furniture and Fixtures	2,495	(1,173)	1,322
Office Equipment	670	(670)	0
Other Equipment	12,425	(12,425)	0
Vehicle	8,810	(8,810)	0
 Total Assets	 <u>\$ 576,491</u>	 <u>\$ (308,921)</u>	 <u>\$ 267,570</u>

Assets	Balance			Balance 6-30-10
	7-1-09	Additions	Retirements	
Buildings and Improvements	\$ 28,371	\$ 0	\$ 0	\$ 28,371
Communications Equipment	510,993	20,993	(8,266)	523,720
Furniture and Fixtures	2,495	0	0	2,495
Office Equipment	670	0	0	670
Other Equipment	12,425	0	0	12,425
Vehicle	8,810	0	0	8,810
Total Assets	\$ 563,764	\$ 20,993	\$ (8,266)	\$ 576,491

E. Accounts Receivable/Due from State

The amounts due to the district from the subscriber services and wireless charges include the following:

Peoples Telephone Co-op	\$ 6,479
AT&T Telephone Co-op	352
Subtotal	<u>\$ 6,831</u>
State of Tennessee Emergency Communications Board	<u>3,400</u>
Total	<u><u>\$ 10,231</u></u>

F. Compensated Absences

There were no compensated absences at June 30, 2010.

G. Invested in Capital Assets, Net of Related Debt

Total Noncurrent Assets	\$ 267,570
Equipment Purchase in Accounts Payable	<u>(158,487)</u>
Invested in Capital Assets, Net of Related Debt	<u><u>\$ 109,083</u></u>

H. Budgetary Information

The district is required by Section 7-86-120, Tennessee Code Annotated, to adopt a budget. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted budget is required at the program level as well as the object level.

I. Occupancy In-kind

Houston County provides all personnel, space, insurance, and various utilities for the district's operations in exchange for annual payments of \$78,000. No provisions have been made in these financial statements to

recognize any amounts incurred by Houston County on the district's behalf in excess of annual payments.

J. Notes Payable

The district constructed a block building, tower, and acquired various emergency services equipment. The projects were completed and placed in service during the year ended June 30, 2007. These projects were financed through an advance (approximately \$219,430) from Houston County. The advance is to be paid to the county at a term of \$2,000 per month beginning in July 2006, for a period of 12 years with an annual interest rate of 4.6 percent. Interest expense totaling \$8,132 during the construction phase was capitalized as part of the overall costs of the communications equipment. The outstanding balance at June 30, 2010, was \$158,487. Future payments of the advance are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 17,066	\$ 6,934	\$ 24,000
2012	17,868	6,132	24,000
2013	18,708	5,292	24,000
2014	19,587	4,413	24,000
Thereafter	<u>85,258</u>	<u>8,011</u>	<u>93,269</u>
Total	<u>\$ 158,487</u>	<u>\$ 30,782</u>	<u>\$ 189,269</u>

A schedule of changes in notes payable is as follows:

	Balance 7-1-09	Additions	Payments	Balance 6-30-10
County Advance	<u>\$ 174,787</u>	<u>\$ 0</u>	<u>\$ (16,300)</u>	<u>\$ 158,487</u>
Total	<u>\$ 174,787</u>	<u>\$ 0</u>	<u>\$ (16,300)</u>	<u>\$ 158,487</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,251,793	\$ 2,096,783	\$ 2,096,783	\$ 155,010
Licenses and Permits	3,701	4,000	4,000	(299)
Fines, Forfeitures, and Penalties	33,791	32,850	32,850	941
Charges for Current Services	610,264	575,900	626,640	(16,376)
Other Local Revenues	63,114	57,000	62,435	679
Fees Received from County Officials	263,697	268,000	268,000	(4,303)
State of Tennessee	955,700	368,217	1,402,256	(446,556)
Federal Government	76,007	62,596	118,687	(42,680)
Other Governments and Citizens Groups	95,084	93,000	103,667	(8,583)
Total Revenues	\$ 4,353,151	\$ 3,558,346	\$ 4,715,318	\$ (362,167)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 36,087	\$ 41,970	\$ 41,576	\$ 5,489
Board of Equalization	925	1,748	1,748	823
Budget and Finance Committee	4,705	4,368	4,762	57
County Mayor/Executive	135,293	143,652	143,652	8,359
County Attorney	17,843	18,343	18,343	500
Election Commission	81,004	121,920	121,920	40,916
Register of Deeds	86,492	92,047	92,047	5,555
Planning	0	0	6,764	6,764
Building	5,962	7,500	7,500	1,538
Geographical Information Systems	58,999	62,340	121,231	62,232
County Buildings	63,915	73,911	73,911	9,996
Other General Administration	18,303	20,500	20,500	2,197
Preservation of Records	0	1,500	1,500	1,500
<u>Finance</u>				
Central Services	12,138	12,258	12,258	120
Property Assessor's Office	80,963	88,037	88,037	7,074
Reappraisal Program	7,357	8,512	8,512	1,155
County Trustee's Office	99,979	112,836	112,836	12,857
County Clerk's Office	75,495	87,549	87,549	12,054
Data Processing	0	0	19,222	19,222
<u>Administration of Justice</u>				
Circuit Court	121,618	133,194	133,194	11,576
General Sessions Judge	55,551	56,693	56,693	1,142
Chancery Court	87,244	89,294	89,294	2,050
Juvenile Court	45,425	50,920	50,920	5,495
District Attorney General	2,585	2,585	2,585	0
Judicial Commissioners	13,149	13,189	13,189	40
Other Administration of Justice	0	5,000	5,000	5,000
<u>Public Safety</u>				
Sheriff's Department	444,416	456,798	470,398	25,982

(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>				
Drug Enforcement	\$ 1,685	\$ 3,000	\$ 3,000	\$ 1,315
Administration of the Sexual Offender Registry	750	2,000	2,000	1,250
Jail	424,615	441,706	441,706	17,091
Fire Prevention and Control	56,049	70,330	69,709	13,660
Rural Fire Protection	0	0	6,667	6,667
Other Emergency Management	144,935	152,441	152,441	7,506
County Coroner/Medical Examiner	3,256	15,070	15,070	11,814
<u>Public Health and Welfare</u>				
Local Health Center	32,432	38,197	40,697	8,265
Ambulance/Emergency Medical Services	613,924	646,118	646,118	32,194
Alcohol and Drug Programs	33,494	19,640	40,069	6,575
Other Local Health Services	53,292	58,700	78,850	25,558
Regional Mental Health Center	76,065	5,695	111,707	35,642
General Welfare Assistance	25,190	27,991	27,991	2,801
Sanitation Education/Information	26,972	29,237	29,237	2,265
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	51,640	51,640	51,640	0
Libraries	115,260	116,336	116,337	1,077
Other Social, Cultural, and Recreational	35,400	35,400	35,400	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	35,202	36,061	36,061	859
Soil Conservation	8,360	11,544	11,544	3,184
Flood Control	38,583	0	143,365	104,782
<u>Other Operations</u>				
Tourism	20,888	44,027	44,027	23,139
Tourism-Resort District	0	0	130,740	130,740
Other Economic and Community Development	57,378	79,236	79,236	21,858
Public Transportation	1,808	3,068	3,068	1,260
Airport	11,955	21,600	21,600	9,645
Veterans' Services	2,681	2,686	2,686	5
Other Charges	0	500	500	500
Contributions to Other Agencies	1,025	2,500	2,500	1,475
Employee Benefits	41,399	62,000	61,160	19,761
Payments to Cities	5,014	6,000	6,000	986
ARRA Grant # 1	0	55,000	82,500	82,500
Miscellaneous	111,722	120,258	148,566	36,844
<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	1,163	12,000	12,000	10,837

(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>Capital Projects (Cont.)</u>				
Administration of Justice Projects	\$ 0	\$ 0	\$ 23,115	\$ 23,115
Public Health and Welfare Projects	1,349	2,450	2,450	1,101
Other General Government Projects	769,973	873,215	879,085	109,112
Total Expenditures	<u>\$ 4,358,907</u>	<u>\$ 5,164,810</u>	<u>\$ 5,776,483</u>	<u>\$ 1,417,576</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (5,756)</u>	<u>\$ (1,606,464)</u>	<u>\$ (1,061,165)</u>	<u>\$ 1,055,409</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 170,000	\$ 1,270,000	\$ 659,173	\$ (489,173)
Insurance Recovery	57,359	0	57,459	(100)
Total Other Financing Sources (Uses)	<u>\$ 227,359</u>	<u>\$ 1,270,000</u>	<u>\$ 716,632</u>	<u>\$ (489,273)</u>
Net Change in Fund Balance	\$ 221,603	\$ (336,464)	\$ (344,533)	\$ 566,136
Fund Balance, July 1, 2009	881,748	768,864	768,864	112,884
Fund Balance, June 30, 2010	<u>\$ 1,103,351</u>	<u>\$ 432,400</u>	<u>\$ 424,331</u>	<u>\$ 679,020</u>

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 13,202	\$ 11,930	\$ 11,930	\$ 1,272
Fines, Forfeitures, and Penalties	0	100	100	(100)
Other Local Revenues	21,559	41,000	41,000	(19,441)
State of Tennessee	1,597,881	1,840,639	1,840,639	(242,758)
Federal Government	0	0	717,800	(717,800)
Total Revenues	<u>\$ 1,632,642</u>	<u>\$ 1,893,669</u>	<u>\$ 2,611,469</u>	<u>\$ (978,827)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 122,276	\$ 129,940	\$ 146,247	\$ 23,971
Highway and Bridge Maintenance	975,036	1,125,300	1,840,538	865,502
Operation and Maintenance of Equipment	183,895	239,600	244,937	61,042
Other Charges	37,141	46,800	46,800	9,659
Employee Benefits	206,006	219,600	219,600	13,594
Capital Outlay	365,029	666,000	731,000	365,971
Total Expenditures	<u>\$ 1,889,383</u>	<u>\$ 2,427,240</u>	<u>\$ 3,229,122</u>	<u>\$ 1,339,739</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (256,741)</u>	<u>\$ (533,571)</u>	<u>\$ (617,653)</u>	<u>\$ 360,912</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 64,509	\$ 0	\$ 84,082	\$ (19,573)
Total Other Financing Sources (Uses)	<u>\$ 64,509</u>	<u>\$ 0</u>	<u>\$ 84,082</u>	<u>\$ (19,573)</u>
Net Change in Fund Balance	\$ (192,232)	\$ (533,571)	\$ (533,571)	\$ 341,339
Fund Balance, July 1, 2009	<u>570,292</u>	<u>589,813</u>	<u>589,813</u>	<u>(19,521)</u>
Fund Balance, June 30, 2010	<u>\$ 378,060</u>	<u>\$ 56,242</u>	<u>\$ 56,242</u>	<u>\$ 321,818</u>

Exhibit E-3

Houston County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Houston County School Department
June 30, 2010

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date*	Actuarial			Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
		Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b)-(a)			
Local Education Group	7-1-07	\$ 0	\$ 520	\$ 520	0%	\$ 2,909	18%
"	7-1-09	0	715	715	0	2,742	26

*Data only available for two actuarial valuations.

HOUSTON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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.

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

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 Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for grant proceeds received for water system improvements for Magnum Industries.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for grant proceeds received for housing rehabilitation.

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

Exhibit F-1

Houston County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste/ Sanitation	Drug Control	Constituti- onal Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
\$	0	0	6,765	6,765	0	0	0	6,765
Equity in Pooled Cash and Investments	84,814	21,503	0	106,317	0	0	0	106,317
Accounts Receivable	38	0	0	38	0	0	0	38
Due from Other Governments	5,013	0	0	5,013	0	0	0	5,013
Property Taxes Receivable	236,435	0	0	236,435	0	0	0	236,435
Allowance for Uncollectible Property Taxes	(4,685)	0	0	(4,685)	0	0	0	(4,685)
Total Assets	\$ 321,615	\$ 21,503	\$ 6,765	\$ 349,883	\$ 0	\$ 0	\$ 0	\$ 349,883

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Due from Other Governments
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes

LIABILITIES AND FUND BALANCES

\$	0	0	0	0	98,428	49,516	147,944	147,944
Contracts Payable	132	0	0	132	0	0	0	132
Due to State of Tennessee	222,403	0	0	222,403	0	0	0	222,403
Deferred Revenue - Current Property Taxes	8,703	0	0	8,703	0	0	0	8,703
Deferred Revenue - Delinquent Property Taxes	4,555	0	0	4,555	0	0	0	4,555
Total Liabilities	\$ 235,793	\$ 0	\$ 0	\$ 235,793	\$ 98,428	\$ 49,516	\$ 147,944	\$ 383,737
Fund Balances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,050	\$ 4,050	\$ 4,050
Reserved for Encumbrances	85,822	21,503	6,765	114,090	(98,428)	(53,566)	(151,994)	(37,904)
Unreserved (Deficit)	85,822	21,503	6,765	114,090	(98,428)	(49,516)	(147,944)	(33,854)
Total Fund Balances	\$ 321,615	\$ 21,503	\$ 6,765	\$ 349,883	\$ 0	\$ 0	\$ 0	\$ 349,883

Total Liabilities and Fund Balances

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, 2010

	Special Revenue Funds				Capital Projects Funds					Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	HUD Grant Projects	Other Capital Projects	Total		
Revenues										
Local Taxes	\$ 135,151	\$ 0	\$ 0	\$ 135,151	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 135,151
Fines, Forfeitures, and Penalties	0	56,279	0	56,279	0	0	0	0	0	56,279
Charges for Current Services	0	0	53,878	53,878	0	0	0	0	0	53,878
Other Local Revenues	13,678	0	0	13,678	0	0	0	0	0	13,678
State of Tennessee	38,031	0	0	38,031	251,468	0	0	251,468	0	289,499
Federal Government	0	0	0	0	0	250,974	293,093	544,067	0	544,067
Other Governments and Citizens Groups	0	0	0	0	0	0	40,567	40,567	0	40,567
Total Revenues	\$ 186,860	\$ 56,279	\$ 53,878	\$ 297,017	\$ 251,468	\$ 250,974	\$ 333,660	\$ 836,102	\$ 1,133,119	
Expenditures										
Current:										
Finance	\$ 0	\$ 0	\$ 54,501	\$ 54,501	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,501
Public Safety	0	36,554	0	36,554	0	0	0	0	0	36,554
Public Health and Welfare	272,824	0	0	272,824	0	0	0	0	0	272,824
Other Operations	3,101	0	0	3,101	350,132	250,974	383,176	984,282	0	987,383
Total Expenditures	\$ 275,925	\$ 36,554	\$ 54,501	\$ 366,980	\$ 350,132	\$ 250,974	\$ 383,176	\$ 984,282	\$ 1,351,262	
Excess (Deficiency) of Revenues Over Expenditures	\$ (89,065)	\$ 19,725	\$ (623)	\$ (69,963)	\$ (98,664)	\$ 0	\$ (49,516)	\$ (148,180)	\$ (218,143)	
Net Change in Fund Balances Fund Balance, July 1, 2009	\$ (89,065)	\$ 19,725	\$ (623)	\$ (69,963)	\$ (98,664)	\$ 0	\$ (49,516)	\$ (148,180)	\$ (218,143)	
	174,887	1,778	7,388	184,053	236	0	0	236	0	184,289
Fund Balance, June 30, 2010	\$ 85,822	\$ 21,503	\$ 6,765	\$ 114,090	\$ (98,428)	\$ 0	\$ (49,516)	\$ (147,944)	\$ (33,854)	

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 135,151	\$ 121,060	\$ 121,060	\$ 14,091
Other Local Revenues	13,678	8,000	8,000	5,678
State of Tennessee	38,031	39,350	39,350	(1,319)
Total Revenues	\$ 186,860	\$ 168,410	\$ 168,410	\$ 18,450
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
General Welfare Assistance	\$ 862	\$ 1,185	\$ 1,185	\$ 323
Convenience Centers	261,666	271,789	285,889	24,223
Landfill Operation and Maintenance	10,296	13,000	13,600	3,304
<u>Other Operations</u>				
Other Charges	3,101	6,000	6,000	2,899
Employee Benefits	0	13,000	3,000	3,000
<u>Principal on Debt</u>				
General Government	0	150,000	150,000	150,000
<u>Interest on Debt</u>				
General Government	0	4,700	0	0
Total Expenditures	\$ 275,925	\$ 459,674	\$ 459,674	\$ 183,749
Excess (Deficiency) of Revenues Over Expenditures	\$ (89,065)	\$ (291,264)	\$ (291,264)	\$ 202,199
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 150,000	\$ 150,000	\$ (150,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 150,000	\$ 150,000	\$ (150,000)
Net Change in Fund Balance	\$ (89,065)	\$ (141,264)	\$ (141,264)	\$ 52,199
Fund Balance, July 1, 2009	174,887	173,459	173,459	1,428
Fund Balance, June 30, 2010	\$ 85,822	\$ 32,195	\$ 32,195	\$ 53,627

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 56,279	\$ 6,000	\$ 81,000	\$ (24,721)
Total Revenues	\$ 56,279	\$ 6,000	\$ 81,000	\$ (24,721)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 36,554	\$ 6,000	\$ 81,000	\$ 44,446
Total Expenditures	\$ 36,554	\$ 6,000	\$ 81,000	\$ 44,446
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,725	\$ 0	\$ 0	\$ 19,725
Net Change in Fund Balance	\$ 19,725	\$ 0	\$ 0	\$ 19,725
Fund Balance, July 1, 2009	1,778	1,778	1,778	0
Fund Balance, June 30, 2010	\$ 21,503	\$ 1,778	\$ 1,778	\$ 19,725

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.

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 399,364	\$ 354,755	\$ 354,755	\$ 44,609
Charges for Current Services	0	400,000	0	0
Other Local Revenues	2,903	0	0	2,903
State of Tennessee	80,600	60,000	60,000	20,600
Other Governments and Citizens Groups	421,772	31,500	431,500	(9,728)
Total Revenues	<u>\$ 904,639</u>	<u>\$ 846,255</u>	<u>\$ 846,255</u>	<u>\$ 58,384</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 268,002	\$ 136,950	\$ 269,999	\$ 1,997
Education	295,000	497,000	365,000	70,000
<u>Interest on Debt</u>				
General Government	65,913	58,850	84,236	18,323
Education	74,255	555,200	528,765	454,510
<u>Other Debt Service</u>				
General Government	8,560	12,000	12,000	3,440
Total Expenditures	<u>\$ 711,730</u>	<u>\$ 1,260,000</u>	<u>\$ 1,260,000</u>	<u>\$ 548,270</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 192,909</u>	<u>\$ (413,745)</u>	<u>\$ (413,745)</u>	<u>\$ 606,654</u>
Net Change in Fund Balance	\$ 192,909	\$ (413,745)	\$ (413,745)	\$ 606,654
Fund Balance, July 1, 2009	1,310,294	1,280,089	1,280,089	30,205
Prior-period Adjustment	174,787	0	0	174,787
Fund Balance, June 30, 2010	<u>\$ 1,677,990</u>	<u>\$ 866,344</u>	<u>\$ 866,344</u>	<u>\$ 811,646</u>

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.

Exhibit H-1

Houston County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>		
	Cities -	Constitu-	
	Sales	tional	
	Tax	Officers -	
		Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 181,163	\$ 181,163
Investments	0	441	441
Due from Other Governments	71,914	0	71,914
Total Assets	<u>\$ 71,914</u>	<u>\$ 181,604</u>	<u>\$ 253,518</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 71,914	\$ 0	\$ 71,914
Due to Litigants, Heirs, and Others	0	181,604	181,604
Total Liabilities	<u>\$ 71,914</u>	<u>\$ 181,604</u>	<u>\$ 253,518</u>

Exhibit H-2

Houston County, Tennessee

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

For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 329,712	\$ 329,712	\$ 0
Due from Other Governments	65,604	71,914	65,604	71,914
Total Assets	<u>\$ 65,604</u>	<u>\$ 401,626</u>	<u>\$ 395,316</u>	<u>\$ 71,914</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 65,604	\$ 401,626	\$ 395,316	\$ 71,914
Total Liabilities	<u>\$ 65,604</u>	<u>\$ 401,626</u>	<u>\$ 395,316</u>	<u>\$ 71,914</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 210,672	\$ 1,369,744	\$ 1,399,253	\$ 181,163
Investments	411	30		441
Total Assets	<u>\$ 211,083</u>	<u>\$ 1,369,774</u>	<u>\$ 1,399,253</u>	<u>\$ 181,604</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 211,083	\$ 1,369,774	\$ 1,399,253	\$ 181,604
Total Liabilities	<u>\$ 211,083</u>	<u>\$ 1,369,774</u>	<u>\$ 1,399,253</u>	<u>\$ 181,604</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 15,650	\$ 15,650	\$ 0
Total Assets	<u>\$ 0</u>	<u>\$ 15,650</u>	<u>\$ 15,650</u>	<u>\$ 0</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 15,650	\$ 15,650	\$ 0
Total Liabilities	<u>\$ 0</u>	<u>\$ 15,650</u>	<u>\$ 15,650</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	\$ 210,672	\$ 1,369,744	\$ 1,399,253	\$ 181,163
Equity in Pooled Cash and Investments	0	345,362	345,362	0
Investments	411	30	0	441
Due from Other Governments	65,604	71,914	65,604	71,914
Total Assets	<u>\$ 276,687</u>	<u>\$ 1,787,050</u>	<u>\$ 1,810,219</u>	<u>\$ 253,518</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 65,604	\$ 401,626	\$ 395,316	\$ 71,914
Due to Litigants, Heirs, and Others	211,083	1,385,424	1,414,903	181,604
Total Liabilities	<u>\$ 276,687</u>	<u>\$ 1,787,050</u>	<u>\$ 1,810,219</u>	<u>\$ 253,518</u>

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.

Exhibit I-1

Houston County, Tennessee
Statement of Activities
Discretely Presented Houston County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total	Governmental Activities
Governmental Activities:						
Instruction	\$ 6,386,051	\$ 4,286	\$ 1,138,045	\$ 0	\$ 0	\$ (5,243,720)
Support Services	3,894,108	14,178	101,883	0	0	(3,778,047)
Operation of Non-Instructional Services	1,121,716	279,423	766,752	14,459	0	(61,082)
Other Debt Service	400,000	0	0	0	0	(400,000)
Total Governmental Activities	\$ 11,801,875	\$ 297,887	\$ 2,006,680	\$ 14,459	\$ 0	\$ (9,482,849)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 670,651	
Local Option Sales Taxes					503,197	
Other Local Taxes					30,251	
Grants and Contributions Not Restricted to Specific Programs					8,448,054	
Unrestricted Investment Income					169,652	
Miscellaneous					36,995	
Total General Revenues					\$ 9,858,800	
Change in Net Assets					\$ 375,951	
Net Assets, July 1, 2009					12,881,037	
Net Assets, June 30, 2010					\$ 13,256,988	

Exhibit I-2

Houston County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Houston County School Department
June 30, 2010

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,422,130	\$ 309,011	\$ 3,731,141
Due from Other Governments	344,294	16,812	361,106
Property Taxes Receivable	708,984	0	708,984
Allowance for Uncollectible Property Taxes	(16,023)	0	(16,023)
Accrued Interest Receivable	35,580	1,874	37,454
Total Assets	\$ 4,494,965	\$ 327,697	\$ 4,822,662
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 70,750	\$ 6,668	\$ 77,418
Payroll Deductions Payable	128,332	16,052	144,384
Contracts Payable	127,881	0	127,881
Deferred Revenue - Current Property Taxes	654,853	0	654,853
Deferred Revenue - Delinquent Property Taxes	34,692	0	34,692
Other Deferred Revenues	97,383	1,793	99,176
Total Liabilities	\$ 1,113,891	\$ 24,513	\$ 1,138,404
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 87,182	\$ 0	\$ 87,182
Reserved for Career Ladder - Extended Contract	24,432	0	24,432
Reserved for Career Ladder Program	3,079	0	3,079
Reserved for Title I Grants to Local Education Agencies	0	44,886	44,886
Reserved for Special Education - Grants to States	0	825	825
Other Federal Reserves	0	14,650	14,650
Unreserved, Reported In:			
General Fund	3,266,381	0	3,266,381
Special Revenue Funds	0	242,823	242,823
Total Fund Balances	\$ 3,381,074	\$ 303,184	\$ 3,684,258
Total Liabilities and Fund Balances	\$ 4,494,965	\$ 327,697	\$ 4,822,662

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, 2010

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)		\$	3,684,258
(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		8,100,985	
Add: other capital assets net of accumulated depreciation		<u>1,112,285</u>	9,546,490
(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			(107,628)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>133,868</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,256,988</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, 2010

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,219,662	\$ 0	\$ 1,219,662
Licenses and Permits	627	0	627
Charges for Current Services	18,464	279,423	297,887
Other Local Revenues	177,238	7,326	184,564
State of Tennessee	8,802,794	827	8,803,621
Federal Government	600	1,596,146	1,596,746
Total Revenues	<u>\$ 10,219,385</u>	<u>\$ 1,883,722</u>	<u>\$ 12,103,107</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,048,433	\$ 993,007	\$ 6,041,440
Support Services	3,578,964	100,973	3,679,937
Operation of Non-Instructional Services	315,556	756,548	1,072,104
Capital Outlay	258,464	0	258,464
Debt Service:			
Other Debt Service	400,000	0	400,000
Total Expenditures	<u>\$ 9,601,417</u>	<u>\$ 1,850,528</u>	<u>\$ 11,451,945</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 617,968</u>	<u>\$ 33,194</u>	<u>\$ 651,162</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 9,189	\$ 0	\$ 9,189
Total Other Financing Sources (Uses)	<u>\$ 9,189</u>	<u>\$ 0</u>	<u>\$ 9,189</u>
Net Change in Fund Balances	\$ 627,157	\$ 33,194	\$ 660,351
Fund Balance, July 1, 2009	<u>2,753,917</u>	<u>269,990</u>	<u>3,023,907</u>
Fund Balance, June 30, 2010	<u><u>\$ 3,381,074</u></u>	<u><u>\$ 303,184</u></u>	<u><u>\$ 3,684,258</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, 2010

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)		\$ 660,351
(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	\$ 189,295	
Less: current year depreciation expense	<u>(477,860)</u>	(288,565)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 1,794	
Less: proceeds received from the disposal of capital assets	<u>(6,125)</u>	(4,331)
(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, 2010	\$ 133,868	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(87,974)</u>	45,894
(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 the governmental funds.		
Change in other postemployment benefits liability		<u>(37,398)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 375,951</u>

Exhibit I-6

Houston County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Houston County School Department
June 30, 2010

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 66,269	\$ 242,742	\$ 309,011
Due from Other Governments	16,812	0	16,812
Accrued Interest Receivable	0	1,874	1,874
Total Assets	<u>\$ 83,081</u>	<u>\$ 244,616</u>	<u>\$ 327,697</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 6,668	\$ 0	\$ 6,668
Payroll Deductions Payable	16,052	0	16,052
Other Deferred Revenues	0	1,793	1,793
Total Liabilities	<u>\$ 22,720</u>	<u>\$ 1,793</u>	<u>\$ 24,513</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 44,886	\$ 0	\$ 44,886
Reserved for Special Education - Grants to States	825	0	825
Other Federal Reserves	14,650	0	14,650
Unreserved	0	242,823	242,823
Total Fund Balances	<u>\$ 60,361</u>	<u>\$ 242,823</u>	<u>\$ 303,184</u>
Total Liabilities and Fund Balances	<u>\$ 83,081</u>	<u>\$ 244,616</u>	<u>\$ 327,697</u>

Exhibit I-7

Houston County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Houston County School Department
For the Year Ended June 30, 2010

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 279,423	\$ 279,423
Other Local Revenues	0	7,326	7,326
State of Tennessee	0	827	827
Federal Government	1,147,689	448,457	1,596,146
Total Revenues	<u>\$ 1,147,689</u>	<u>\$ 736,033</u>	<u>\$ 1,883,722</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 993,007	\$ 0	\$ 993,007
Support Services	100,973	0	100,973
Operation of Non-Instructional Services	0	756,548	756,548
Total Expenditures	<u>\$ 1,093,980</u>	<u>\$ 756,548</u>	<u>\$ 1,850,528</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 53,709</u>	<u>\$ (20,515)</u>	<u>\$ 33,194</u>
Net Change in Fund Balances	\$ 53,709	\$ (20,515)	\$ 33,194
Fund Balance, July 1, 2009	6,652	263,338	269,990
Fund Balance, June 30, 2010	<u>\$ 60,361</u>	<u>\$ 242,823</u>	<u>\$ 303,184</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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 1,219,662	\$ 0	\$ 0	\$ 1,219,662	\$ 1,082,250	\$ 1,082,250	\$ 137,412
Licenses and Permits	627	0	0	627	400	400	227
Charges for Current Services	18,464	0	0	18,464	16,100	16,100	2,364
Other Local Revenues	177,238	0	0	177,238	135,200	135,200	42,038
State of Tennessee	8,802,794	0	0	8,802,794	8,438,647	8,467,140	335,654
Federal Government	600	0	0	600	100	100	500
Total Revenues	\$ 10,219,385	\$ 0	\$ 0	\$ 10,219,385	\$ 9,672,697	\$ 9,701,190	\$ 518,195
Expenditures							
Instruction							
Regular Instruction Program	\$ 4,488,844	\$ (52,785)	\$ 0	\$ 4,436,059	\$ 4,728,500	\$ 4,760,000	\$ 323,941
Special Education Program	294,112	0	0	294,112	323,000	295,500	1,388
Vocational Education Program	265,477	0	0	265,477	311,500	311,500	46,023
Support Services							
Attendance	31,510	0	0	31,510	35,550	35,550	4,040
Health Services	17,994	0	0	17,994	32,000	32,000	14,006
Other Student Support	266,478	0	0	266,478	292,950	292,950	26,472
Regular Instruction Program	530,037	(4,322)	0	525,715	591,000	591,000	65,285
Alternative Instruction Program	60,460	0	0	60,460	64,050	64,050	3,590
Special Education Program	128,042	0	0	128,042	157,200	128,200	158
Vocational Education Program	0	0	0	0	2,000	2,000	2,000
Other Programs	28,493	0	0	28,493	0	28,493	0
Board of Education	236,672	0	0	236,672	267,050	267,050	30,378
Director of Schools	170,961	0	0	170,961	174,400	189,400	18,439

(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 7/1/2009	Add: Encumbrances 6/30/2010	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	\$ 566,227	\$ 0	\$ 0	\$ 566,227	\$ 594,250	\$ 594,250	\$ 28,023
Fiscal Services	94,476	0	0	94,476	97,100	107,100	12,624
Operation of Plant	719,564	0	0	719,564	880,500	880,500	160,936
Maintenance of Plant	198,153	(4,595)	0	193,558	264,550	264,550	70,992
Transportation	529,897	(135,392)	58,182	452,687	583,950	583,950	131,263
Central and Other	0	0	0	0	5,000	5,000	5,000
<u>Operation of Non-Instructional Services</u>							
Food Service	29,913	0	0	29,913	30,775	30,775	862
Community Services	32,242	0	0	32,242	33,300	33,300	1,058
Early Childhood Education	253,401	0	29,000	282,401	303,307	303,307	20,906
<u>Capital Outlay</u>							
Regular Capital Outlay	258,464	(11,050)	0	247,414	158,000	658,000	410,586
<u>Principal on Debt</u>							
Education	0	0	0	0	400,000	0	0
<u>Interest on Debt</u>							
Education	0	0	0	0	10,000	10,000	10,000
<u>Other Debt Service</u>							
Education	400,000	0	0	400,000	0	400,000	0
Total Expenditures	\$ 9,601,417	\$ (208,144)	\$ 87,182	\$ 9,480,455	\$ 10,339,932	\$ 10,868,425	\$ 1,387,970
Excess (Deficiency) of Revenues Over Expenditures	\$ 617,968	\$ 208,144	\$ (87,182)	\$ 738,930	\$ (667,235)	\$ (1,167,235)	\$ 1,906,165
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 9,189	\$ 0	\$ 0	\$ 9,189	\$ 1,000	\$ 1,000	\$ 8,189
Total Other Financing Sources (Uses)	\$ 9,189	\$ 0	\$ 0	\$ 9,189	\$ 1,000	\$ 1,000	\$ 8,189
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 627,157	\$ 208,144	\$ (87,182)	\$ 748,119	\$ (666,235)	\$ (1,166,235)	\$ 1,914,354
	2,753,917	(208,144)	0	2,545,773	2,542,062	2,542,062	3,711
Fund Balance, June 30, 2010	\$ 3,381,074	\$ 0	\$ (87,182)	\$ 3,293,892	\$ 1,875,827	\$ 1,375,827	\$ 1,918,065

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,147,689	\$ 1,446,619	\$ 1,475,260	\$ (327,571)
Total Revenues	\$ 1,147,689	\$ 1,446,619	\$ 1,475,260	\$ (327,571)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 439,242	\$ 521,109	\$ 750,758	\$ 311,516
Special Education Program	538,736	641,558	675,356	136,620
Vocational Education Program	15,029	12,919	15,069	40
<u>Support Services</u>				
Health Services	0	7,724	0	0
Other Student Support	29,224	28,900	58,318	29,094
Regular Instruction Program	66,186	185,310	125,695	59,509
Special Education Program	5,543	47,000	47,000	41,457
Vocational Education Program	20	700	20	0
Total Expenditures	\$ 1,093,980	\$ 1,445,220	\$ 1,672,216	\$ 578,236
Excess (Deficiency) of Revenues Over Expenditures	\$ 53,709	\$ 1,399	\$ (196,956)	\$ 250,665
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 28,600	\$ 28,600	\$ (28,600)
Transfers Out	0	(30,000)	(29,900)	29,900
Total Other Financing Sources (Uses)	\$ 0	\$ (1,400)	\$ (1,300)	\$ 1,300
Net Change in Fund Balance	\$ 53,709	\$ (1)	\$ (198,256)	\$ 251,965
Fund Balance, July 1, 2009	6,652	6,315	198,256	(191,604)
Fund Balance, June 30, 2010	\$ 60,361	\$ 6,314	\$ 0	\$ 60,361

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 279,423	\$ 361,500	\$ 361,500	\$ (82,077)
Other Local Revenues	7,326	11,000	11,000	(3,674)
State of Tennessee	827	1,500	1,500	(673)
Federal Government	448,457	445,000	478,156	(29,699)
Total Revenues	<u>\$ 736,033</u>	<u>\$ 819,000</u>	<u>\$ 852,156</u>	<u>\$ (116,123)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 756,548	\$ 819,000	\$ 852,156	\$ 95,608
Total Expenditures	<u>\$ 756,548</u>	<u>\$ 819,000</u>	<u>\$ 852,156</u>	<u>\$ 95,608</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (20,515)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (20,515)</u>
Net Change in Fund Balance	\$ (20,515)	\$ 0	\$ 0	(20,515)
Fund Balance, July 1, 2009	<u>263,338</u>	<u>263,338</u>	<u>263,338</u>	<u>0</u>
Fund Balance, June 30, 2010	<u>\$ 242,823</u>	<u>\$ 263,338</u>	<u>\$ 263,338</u>	<u>\$ (20,515)</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Houston County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jail Site	\$ 45,000	5.02	4-13-1998	4-13-10	\$ 3,750	\$ 0	\$ 3,750	\$ 0
Roofing of County Buildings	20,000	3.89	4-14-05	4-14-11	6,668	0	3,334	3,334
E-911 Communications Tower and Equipment	221,000	3.99	8-17-05	9-29-17	165,749	0	18,416	147,333
Solid Waste Equipment and Construction (Extension)	100,000	3.89	12-5-05	12-5-10	40,000	0	20,000	20,000
Fire Station Buildings and Equipment	110,000	3.69	4-11-07	4-11-19	91,666	0	9,166	82,500
Convenience Center Front End Loader (Extension)	82,716	3.69	6-27-07	6-10-16	64,336	0	9,191	55,145
Health Department Addition (Extension)	45,000	3.69	6-27-07	6-10-16	35,000	0	5,000	30,000
Patrol Vehicles and Equipment	71,244	4.64	12-12-07	12-12-11	53,433	0	17,811	35,622
Library Equipment	10,000	3.99	12-9-08	10-9-12	10,000	0	2,500	7,500
Library Renovation	75,000	3.29	4-8-09	4-8-19	75,000	0	7,500	67,500
Ambulance and Equipment	107,027	3.99	12-11-08	12-11-15	107,027	0	15,290	91,737
Airport Maintenance	70,000	3.39	7-9-09	7-9-19	0	70,000	0	70,000
Fire Department Equipment and Supplies	100,000	3.39	7-28-09	7-28-15	0	100,000	0	100,000
Total Notes Payable					\$ 652,629	\$ 170,000	\$ 111,958	\$ 710,671

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	\$ 1,385,000	\$ 0	\$ 64,000	\$ 1,321,000
School Construction	10,000,000	variable	1-31-00	5-25-27	8,294,000	0	295,000	7,999,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	817,000	0	32,000	785,000
Jail Construction and Courthouse Renovations	(1)	variable	4-26-02	5-25-27	463,200	0	36,000	427,200
Total Other Loans Payable					\$ 10,959,200	\$ 0	\$ 427,000	\$ 10,532,200

BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Industrial Park Development (FmHA)	478,000	4 to 5	10-13-1977	10-1-16	\$ 136,000	\$ 0	\$ 16,000	\$ 120,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	87,230	0	8,044	79,186
Total Bonds Payable					\$ 223,230	\$ 0	\$ 24,044	\$ 199,186

(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
2011	\$ 131,877	\$ 26,568	\$ 158,445
2012	108,543	21,479	130,022
2013	90,732	17,297	108,029
2014	88,232	13,941	102,173
2015	88,230	10,685	98,915
2016	88,227	7,429	95,656
2017	42,082	4,174	46,256
2018	42,082	2,617	44,699
2019	23,666	1,060	24,726
2020	7,000	237	7,237
Total	\$ 710,671	\$ 105,487	\$ 816,158

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2011	\$ 448,000	\$ 38,969	\$ 53,703	\$ 540,672
2012	471,000	37,312	51,463	559,775
2013	494,000	35,569	49,108	578,677
2014	518,000	33,741	46,638	598,379
2015	544,000	31,824	44,048	619,872
2016	571,000	29,812	41,328	642,140
2017	600,000	27,699	38,473	666,172
2018	631,000	25,479	35,473	691,952
2019	662,000	23,144	32,318	717,462
2020	645,200	20,695	29,008	694,903
2021	668,000	18,308	25,669	711,977
2022	701,000	15,836	22,329	739,165
2023	737,000	13,242	18,824	769,066
2024	774,000	10,515	15,139	799,654
2025	679,000	7,652	11,096	697,748
2026	713,000	5,139	7,701	725,840
2027	676,000	2,501	3,998	682,499
Total	\$ 10,532,200	\$ 377,437	\$ 526,316	\$ 11,435,953

(Continued)

Exhibit J-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 24,395	\$ 9,273	\$ 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	<u>\$ 199,186</u>	<u>\$ 39,360</u>	<u>\$ 238,546</u>

Exhibit J-3

Houston County, Tennessee
Schedule of Investments
June 30, 2010

<u>Fund and Type</u>	<u>Amount</u>
<u>Constitutional Officers - Agency Fund</u>	
<u>Circuit Court Clerk</u>	
AIM Aggressive Growth Fund	\$ 441
Total Investments	<u>\$ 441</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, 2010

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	85,366 (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	50,000	"
Register	Section 8-24-102, <u>TCA</u>	53,525	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	58,879 (2)	25,000	"
Employee Blanket Bonds:				
County Mayor and Road Superintendent:			150,000	Local Government Property and Casualty Fund
All Employees				
Director of Schools:			150,000	Tennessee Risk Management Trust
All Employees				

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) Does not include a law enforcement training supplement of \$900.

Houston County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2010

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,878,778	\$ 116,812	\$ 0	\$ 0	\$ 11,742
Discount on Property Taxes	(13,936)	(870)	0	0	(85)
Trustee's Collections - Prior Year	138,590	12,234	0	0	894
Trustee's Collections - Bankruptcy	1,424	152	0	0	8
Circuit/Clerk & Master Collections - Prior Years	22,192	1,569	0	0	140
Interest and Penalty	27,346	2,046	0	0	164
Payments in-Lieu-of Taxes - T.V.A.	0	46	0	0	27
Payments in-Lieu-of Taxes - Local Utilities	27,808	1,739	0	0	173
<u>County Local Option Taxes</u>					
Local Option Sales Tax	92,899	0	0	0	0
Hotel/Motel Tax	11,096	0	0	0	0
Wheel Tax	0	0	0	0	0
Litigation Tax - General	19,709	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Business Tax	0	1,423	0	0	139
<u>Statutory Local Taxes</u>					
Bank Excise Tax	9,034	0	0	0	0
Wholesale Beer Tax	36,396	0	0	0	0
Interstate Telecommunications Tax	457	0	0	0	0
Total Local Taxes	\$ 2,251,793	\$ 135,151	\$ 0	\$ 0	\$ 13,202
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 3,701	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 3,701	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 5,536	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	2,572	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Drug Control Fines	\$ 0	\$ 0	3,698	\$ 0	0
Jail Fees	932	0	0	0	0
Data Entry Fee - Circuit Court	159	0	0	0	0
<u>General Sessions Court</u>					
Fines	4,684	0	0	0	0
Officers Costs	11,576	0	0	0	0
Game and Fish Fines	767	0	0	0	0
Drug Control Fines	0	0	52,581	0	0
Jail Fees	1,828	0	0	0	0
DUI Treatment Fines	1,299	0	0	0	0
Data Entry Fee - General Sessions Court	1,097	0	0	0	0
Courtroom Security Fee	4	0	0	0	0
<u>Juvenile Court</u>					
Fines	57	0	0	0	0
Officers Costs	665	0	0	0	0
Data Entry Fee - Juvenile Court	182	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	1,391	0	0	0	0
Data Entry Fee - Chancery Court	768	0	0	0	0
Courtroom Security Fee	274	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 33,791	\$ 0	\$ 56,279	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 566,121	\$ 0	\$ 0	\$ 0	0
Work Release Charges for Board	1,100	0	0	0	0
Other General Service Charges	29,257	0	0	0	0
<u>Fees</u>					
Airport Fees	1,800	0	0	0	0
Copy Fees	3	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Telephone Commissions	\$ 6,955	\$ 0	\$ 0	\$ 0	\$ 0
Constitutional Officers' Fees and Commissions	0	0	0	53,878	0
Data Processing Fee - Register	2,622	0	0	0	0
Sexual Offender Registration Fees - Sheriff	2,000	0	0	0	0
Data Processing Fee - County Clerk	406	0	0	0	0
Total Charges for Current Services	\$ 610,264	\$ 0	\$ 0	\$ 53,878	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Lease/Rentals	\$ 38,570	\$ 0	\$ 0	\$ 0	\$ 0
Commissary Sales	2,893	0	0	0	0
Sale of Gasoline	0	0	0	0	20,063
Sale of Recycled Materials	0	12,488	0	0	0
Miscellaneous Refunds	16,582	1,190	0	0	766
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	0	0	730
Contributions and Gifts	1,776	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	3,293	0	0	0	0
Total Other Local Revenues	\$ 63,114	\$ 13,678	\$ 0	\$ 0	\$ 21,559
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 23,000	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	113,570	0	0	0	0
Other Officials	3,430	0	0	0	0
<u>Fees in-Lieu-of Salary</u>					
Circuit Court Clerk	17,590	0	0	0	0
General Sessions Court Clerk	38,267	0	0	0	0
Clerk and Master	32,158	0	0	0	0

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees in-Lieu-of Salary (Cont.)</u>					
Juvenile Court Clerk	\$ 5,008	\$ 0	\$ 0	\$ 0	\$ 0
Register	27,137	0	0	0	0
Sheriff	3,537	0	0	0	0
Total Fees Received from County Officials	\$ 263,697	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 47,719	\$ 0	\$ 0	\$ 0	\$ 0
Airport Maintenance Program	612,450	0	0	0	0
Other General Government Grants	53,641	0	0	0	0
<u>Public Safety Grants</u>					
Safe and Drug - Free Schools and Communities	12,000	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	79,249
State Aid Program	0	0	0	0	263,669
Litter Program	33,609	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	0	75	0	0	45
Resort District Sales Tax	75,782	0	0	0	0
Beer Tax	17,778	0	0	0	0
Alcoholic Beverage Tax	0	17,299	0	0	0
State Revenue Sharing - T.V.A.	65,945	20,657	0	0	9,994
Contracted Prisoner Boarding	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,238,428
Petroleum Special Tax	0	0	0	0	6,496
Reappraisal Program Reimbursement	3,070	0	0	0	0
Registrar's Salary Supplement	12,285	0	0	0	0
Other State Grants	3,419	0	0	0	0
Other State Revenues	18,002	0	0	0	0
Total State of Tennessee	\$ 955,700	\$ 38,031	\$ 0	\$ 0	\$ 1,597,881

(Continued)

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	0 \$	0 \$	0 \$	0 \$	0
Homeland Security Grants	24,472	0	0	0	0
Law Enforcement Grants	4,391	0	0	0	0
Other Federal through State	47,144	0	0	0	0
Total Federal Government	<u>76,007 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	71,500 \$	0 \$	0 \$	0 \$	0
Contracted Services	19,584	0	0	0	0
Citizens Groups					
Donations	4,000	0	0	0	0
Total Other Governments and Citizens Groups	<u>95,084 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0</u>
Total	<u>4,353,151 \$</u>	<u>186,860 \$</u>	<u>56,279 \$</u>	<u>53,878 \$</u>	<u>1,632,642</u>

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General	General Capital Projects	HUD Grant Projects	Other Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 58,712	\$ 0	\$ 0	\$ 0	\$ 2,066,044	
Discount on Property Taxes	(440)	0	0	0	(15,331)	
Trustee's Collections - Prior Year	6,259	0	0	0	157,977	
Trustee's Collections - Bankruptcy	153	0	0	0	1,737	
Circuit/Clerk & Master Collections - Prior Years	812	0	0	0	24,713	
Interest and Penalty	1,098	0	0	0	30,654	
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	73	
Payments in-Lieu-of Taxes - Local Utilities	869	0	0	0	30,589	
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	92,899	
Hotel/Motel Tax	0	0	0	0	11,096	
Wheel Tax	324,168	0	0	0	324,168	
Litigation Tax - General	0	0	0	0	19,709	
Litigation Tax - Jail, Workhouse, or Courthouse	7,016	0	0	0	7,016	
Business Tax	717	0	0	0	2,279	
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	9,034	
Wholesale Beer Tax	0	0	0	0	36,396	
Interstate Telecommunications Tax	0	0	0	0	457	
Total Local Taxes	\$ 399,364	\$ 0	\$ 0	\$ 0	\$ 2,799,510	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,701	
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,701	
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,536	
Officers Costs	0	0	0	0	2,572	

(Continued)

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

	Debt Service Fund		Capital Projects Funds				Total
	General	Debt Service	General Capital Projects	HUD Grant Projects	Other Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,698	
Jail Fees	0	0	0	0	0	932	
Data Entry Fee - Circuit Court	0	0	0	0	0	159	
<u>General Sessions Court</u>							
Fines	0	0	0	0	0	4,684	
Officers Costs	0	0	0	0	0	11,576	
Game and Fish Fines	0	0	0	0	0	767	
Drug Control Fines	0	0	0	0	0	52,581	
Jail Fees	0	0	0	0	0	1,828	
DUI Treatment Fines	0	0	0	0	0	1,299	
Data Entry Fee - General Sessions Court	0	0	0	0	0	1,097	
Courtroom Security Fee	0	0	0	0	0	4	
<u>Juvenile Court</u>							
Fines	0	0	0	0	0	57	
Officers Costs	0	0	0	0	0	665	
Data Entry Fee - Juvenile Court	0	0	0	0	0	182	
<u>Chancery Court</u>							
Officers Costs	0	0	0	0	0	1,391	
Data Entry Fee - Chancery Court	0	0	0	0	0	768	
Courtroom Security Fee	0	0	0	0	0	274	
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	90,070	
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	566,121	
Work Release Charges for Board	0	0	0	0	0	1,100	
Other General Service Charges	0	0	0	0	0	29,257	
<u>Fees</u>							
Airport Fees	0	0	0	0	0	1,800	
Copy Fees	0	0	0	0	0	3	

(Continued)

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

	Debt Service Fund		Capital Projects Funds				Total
	General	Debt Service	General Capital Projects	HUD Grant Projects	Other Capital Projects		
<u>Charges for Current Services (Cont.)</u>							
<u>Fees (Cont.)</u>							
Telephone Commissions	0	0	0	0	0	0	6,955
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0	53,878
Data Processing Fee - Register	0	0	0	0	0	0	2,622
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	2,000
Data Processing Fee - County Clerk	0	0	0	0	0	0	406
Total Charges for Current Services	0	0	0	0	0	0	664,142
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Lease/Rentals	0	0	0	0	0	0	38,570
Commissary Sales	0	0	0	0	0	0	2,893
Sale of Gasoline	0	0	0	0	0	0	20,063
Sale of Recycled Materials	0	0	0	0	0	0	12,488
Miscellaneous Refunds	4	0	0	0	0	0	18,542
<u>Nonrecurring Items</u>							
Sale of Equipment	0	0	0	0	0	0	730
Contributions and Gifts	0	0	0	0	0	0	1,776
<u>Other Local Revenues</u>							
Other Local Revenues	2,899	0	0	0	0	0	6,192
Total Other Local Revenues	2,903	0	0	0	0	0	101,254
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	0	0	0	0	0	0	23,000
Trustee	0	0	0	0	0	0	113,570
Other Officials	0	0	0	0	0	0	3,430
<u>Fees in-Lieu-of Salary</u>							
Circuit Court Clerk	0	0	0	0	0	0	17,590
General Sessions Court Clerk	0	0	0	0	0	0	38,267
Clerk and Master	0	0	0	0	0	0	32,158

(Continued)

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

	Debt Service Fund		Capital Projects Funds				Total
	General	Debt Service	General Capital Projects	HUD Grant Projects	Other Capital Projects		
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees in-Lieu-of Salary (Cont.)</u>							
Juvenile Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,008	
Register	0	0	0	0	0	27,137	
Sheriff	0	0	0	0	0	3,537	
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 263,697	
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,719	
Airport Maintenance Program	0	0	0	0	0	612,450	
Other General Government Grants	0	0	0	0	0	53,641	
<u>Public Safety Grants</u>							
Safe and Drug-free Schools and Communities	0	0	0	0	0	12,000	
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	0	79,249	
State Aid Program	0	0	0	0	0	263,669	
Litter Program	0	0	0	0	0	33,609	
<u>Other State Revenues</u>							
Income Tax	0	0	0	0	0	120	
Resort District Sales Tax	0	0	0	0	0	75,782	
Beer Tax	0	0	0	0	0	17,778	
Alcoholic Beverage Tax	0	0	0	0	0	17,299	
State Revenue Sharing - T.V.A.	0	0	0	0	0	30,651	
Contracted Prisoner Boarding	80,600	0	0	0	0	146,545	
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,238,428	
Petroleum Special Tax	0	0	0	0	0	6,496	
Reappraisal Program Reimbursement	0	0	0	0	0	3,070	
Registrar's Salary Supplement	0	0	0	0	0	12,285	
Other State Grants	0	0	251,468	0	0	254,887	
Other State Revenues	0	0	0	0	0	18,002	
Total State of Tennessee	\$ 80,600	\$ 0	\$ 251,468	\$ 0	\$ 0	\$ 2,923,680	

(Continued)

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

	Debt Service Fund	Capital Projects Funds				Total
		General	General Capital Projects	HUD Grant Projects	Other Capital Projects	
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 293,093	\$ 293,093	
Homeland Security Grants	0	0	0	24,472	24,472	
Law Enforcement Grants	0	0	0	0	4,391	
Other Federal through State	0	0	250,974	0	298,118	
Total Federal Government	\$ 0	\$ 0	\$ 250,974	\$ 293,093	\$ 620,074	
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 414,272	\$ 0	\$ 0	\$ 40,567	\$ 526,339	
Contracted Services	7,500	0	0	0	27,084	
<u>Citizens Groups</u>						
Donations	0	0	0	0	4,000	
Total Other Governments and Citizens Groups	\$ 421,772	\$ 0	\$ 0	\$ 40,567	\$ 557,423	
Total	\$ 904,639	\$ 251,468	\$ 250,974	\$ 333,660	\$ 8,023,551	

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, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 622,345	\$ 0	\$ 0	\$ 622,345
Discount on Property Taxes	(4,615)	0	0	(4,615)
Trustee's Collections - Prior Year	47,389	0	0	47,389
Trustee's Collections - Bankruptcy	522	0	0	522
Circuit/Clerk & Master Collections - Prior Years	7,442	0	0	7,442
Interest and Penalty	8,720	0	0	8,720
Payments in-Lieu-of Taxes - T.V.A.	973	0	0	973
Payments in-Lieu-of Taxes - Local Utilities	9,212	0	0	9,212
<u>County Local Option Taxes</u>				
Local Option Sales Tax	497,423	0	0	497,423
Business Tax	29,549	0	0	29,549
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	702	0	0	702
Total Local Taxes	\$ 1,219,662	\$ 0	\$ 0	\$ 1,219,662
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 627	\$ 0	\$ 0	\$ 627
Total Licenses and Permits	\$ 627	\$ 0	\$ 0	\$ 627
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 4,286	\$ 0	\$ 0	\$ 4,286
Lunch Payments - Children	0	0	129,184	129,184
Lunch Payments - Adults	0	0	21,502	21,502
Income from Breakfast	0	0	16,087	16,087
A la carte Sales	0	0	112,650	112,650
Receipts from Individual Schools	14,178	0	0	14,178
Total Charges for Current Services	\$ 18,464	\$ 0	\$ 279,423	\$ 297,887
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 135,602	\$ 0	\$ 7,136	\$ 142,738
Miscellaneous Refunds	41,136	0	190	41,326
<u>Nonrecurring Items</u>				
Contributions and Gifts	500	0	0	500
Total Other Local Revenues	\$ 177,238	\$ 0	\$ 7,326	\$ 184,564
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 28,493	\$ 0	\$ 0	\$ 28,493
<u>State Education Funds</u>				
Basic Education Program	7,618,400	0	0	7,618,400
Basic Education Program - ARRA	267,600	0	0	267,600
Early Childhood Education	282,401	0	0	282,401
School Food Service	7,441	0	827	8,268
Other State Education Funds	15,205	0	0	15,205
Coordinated School Health - ARRA	84,953	0	0	84,953

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Internet Connectivity - ARRA	\$ 4,180	\$ 0	\$ 0	\$ 4,180
Family Resource Centers - ARRA	32,243	0	0	32,243
Statewide Student Management System (SSMS) - ARRA	3,640	0	0	3,640
Career Ladder Program	61,009	0	0	61,009
Career Ladder - Extended Contract - ARRA	31,641	0	0	31,641
<u>Other State Revenues</u>				
Income Tax	1,600	0	0	1,600
State Revenue Sharing - T.V.A.	354,788	0	0	354,788
Safe Schools - ARRA	9,200	0	0	9,200
Total State of Tennessee	\$ 8,802,794	\$ 0	\$ 827	\$ 8,803,621
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 288,268	\$ 288,268
USDA - Commodities	0	0	33,156	33,156
Breakfast	0	0	112,574	112,574
USDA Food Service Equipment Grant - ARRA	0	0	14,459	14,459
Vocational Education - Basic Grants to States	0	26,577	0	26,577
Title I Grants to Local Education Agencies	0	461,954	0	461,954
Special Education - Grants to States	0	528,945	0	528,945
Special Education Preschool Grants	0	16,583	0	16,583
Safe and Drug-free Schools - State Grants	0	5,790	0	5,790
Rural Education	0	30,858	0	30,858
Eisenhower Professional Development State Grants	0	62,808	0	62,808
Other Federal through State	600	14,174	0	14,774
Total Federal Government	\$ 600	\$ 1,147,689	\$ 448,457	\$ 1,596,746
Total	\$ 10,219,385	\$ 1,147,689	\$ 736,033	\$ 12,103,107

Exhibit J-7

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 24,892	
Social Security	1,527	
Employer Medicare	357	
Audit Services	2,426	
Dues and Memberships	2,943	
Legal Notices, Recording, and Court Costs	3,942	
Total County Commission		\$ 36,087

Board of Equalization

Board and Committee Members Fees	\$ 860	
Social Security	53	
Employer Medicare	12	
Total Board of Equalization		925

Budget and Finance Committee

Other Salaries and Wages	\$ 993	
Board and Committee Members Fees	3,375	
Social Security	271	
Unemployment Compensation	3	
Employer Medicare	63	
Total Budget and Finance Committee		4,705

County Mayor/Executive

County Official/Administrative Officer	\$ 61,822	
Accountants/Bookkeepers	22,284	
Clerical Personnel	19,470	
In-Service Training	373	
Social Security	6,422	
Unemployment Compensation	177	
Employer Medicare	1,502	
Communication	2,844	
Data Processing Services	6,986	
Dues and Memberships	75	
Legal Notices, Recording, and Court Costs	33	
Maintenance and Repair Services - Office Equipment	90	
Travel	4,189	
Office Supplies	3,789	
Other Charges	90	
Data Processing Equipment	5,147	
Total County Mayor/Executive		135,293

(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	14,245	
Election Commission	1,200	
Election Workers	40	
Social Security	3,944	
Unemployment Compensation	270	
Employer Medicare	922	
Communication	1,660	
Data Processing Services	2,900	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	601	
Maintenance and Repair Services - Office Equipment	580	
Travel	1,762	
Other Supplies and Materials	2,371	
Data Processing Equipment	2,162	
Total Election Commission		81,004

Register of Deeds

County Official/Administrative Officer	\$ 53,525	
Deputy(ies)	17,421	
Social Security	4,399	
Unemployment Compensation	191	
Employer Medicare	1,029	
Communication	980	
Data Processing Services	1,500	
Dues and Memberships	422	
Printing, Stationery, and Forms	98	
Office Supplies	2,143	
Data Processing Equipment	4,784	
Total Register of Deeds		86,492

Building

Maintenance and Repair Services - Buildings	\$ 4,665	
Building Construction	1,297	
Total Building		5,962

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Geographical Information Systems

Supervisor/Director	\$ 22,118	
Deputy(ies)	3,497	
Youth Service Officer(s)	4,395	
Accountants/Bookkeepers	2,950	
Clerical Personnel	8,550	
Social Security	1,440	
Unemployment Compensation	22	
Employer Medicare	337	
Other Contracted Services	3,110	
Instructional Supplies and Materials	9,532	
Other Supplies and Materials	3,048	
Total Geographical Information Systems		\$ 58,999

County Buildings

Custodial Personnel	\$ 15,120	
Social Security	937	
Unemployment Compensation	182	
Employer Medicare	219	
Maintenance Agreements	2,343	
Maintenance and Repair Services - Buildings	2,729	
Custodial Supplies	3,641	
Electricity	17,536	
Natural Gas	4,153	
Water and Sewer	3,456	
Building and Contents Insurance	8,000	
Other Construction	5,599	
Total County Buildings		63,915

Other General Administration

Postal Charges	\$ 10,677	
Rentals	4,803	
Data Processing Supplies	2,823	
Total Other General Administration		18,303

Finance

Central Services

Other Salaries and Wages	\$ 11,160	
Social Security	692	
Unemployment Compensation	124	
Employer Medicare	162	
Total Central Services		12,138

(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

County Official/Administrative Officer	\$	53,525	
Secretary(ies)		13,936	
Social Security		4,183	
Unemployment Compensation		63	
Employer Medicare		978	
Communication		939	
Contracts with Private Agencies		3,125	
Data Processing Services		1,778	
Dues and Memberships		786	
Legal Notices, Recording, and Court Costs		67	
Maintenance and Repair Services - Office Equipment		51	
Maintenance and Repair Services - Vehicles		162	
Travel		62	
Gasoline		420	
Office Supplies		888	
Total Property Assessor's Office			\$ 80,963

Reappraisal Program

Laborers	\$	4,691	
Clerical Personnel		1,078	
Social Security		358	
Unemployment Compensation		81	
Employer Medicare		84	
Data Processing Services		1,065	
Total Reappraisal Program			7,357

County Trustee's Office

County Official/Administrative Officer	\$	53,525	
Clerical Personnel		18,968	
Other Salaries and Wages		2,997	
Social Security		4,680	
Unemployment Compensation		168	
Employer Medicare		1,095	
Communication		911	
Data Processing Services		7,008	
Dues and Memberships		437	
Legal Notices, Recording, and Court Costs		276	
Maintenance and Repair Services - Office Equipment		108	
Travel		1,133	
Other Contracted Services		3,205	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Supplies	\$ 1,829	
Data Processing Equipment	3,639	
Total County Trustee's Office		\$ 99,979

County Clerk's Office

Deputy(ies)	\$ 17,577	
Secretary(ies)	29,632	
Clerical Personnel	4,846	
Other Salaries and Wages	6,576	
Social Security	6,954	
Unemployment Compensation	347	
Employer Medicare	1,626	
Communication	1,749	
Maintenance and Repair Services - Equipment	108	
Maintenance and Repair Services - Office Equipment	75	
Travel	555	
Office Supplies	3,644	
Other Supplies and Materials	990	
Office Equipment	816	
Total County Clerk's Office		75,495

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 53,525	
Deputy(ies)	17,824	
Clerical Personnel	13,962	
Other Salaries and Wages	4,965	
Jury and Witness Expense	7,362	
Social Security	5,597	
Unemployment Compensation	266	
Employer Medicare	1,309	
Communication	1,526	
Dues and Memberships	387	
Legal Notices, Recording, and Court Costs	536	
Travel	138	
Office Supplies	5,641	
Data Processing Equipment	8,580	
Total Circuit Court		121,618

(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

Judge(s)	\$ 46,084	
Salary Supplements	4,025	
Social Security	3,107	
Employer Medicare	727	
Communication	558	
Dues and Memberships	50	
Travel	1,000	
Total General Sessions Judge		\$ 55,551

Chancery Court

County Official/Administrative Officer	\$ 53,525	
Deputy(ies)	16,561	
Social Security	4,345	
Unemployment Compensation	118	
Employer Medicare	1,016	
Communication	1,174	
Dues and Memberships	412	
Legal Notices, Recording, and Court Costs	32	
Maintenance and Repair Services - Office Equipment	40	
Travel	269	
Office Supplies	5,989	
Data Processing Equipment	3,763	
Total Chancery Court		87,244

Juvenile Court

Judge(s)	\$ 12,087	
Social Workers	26,318	
Guards	220	
Social Security	2,381	
Unemployment Compensation	125	
Employer Medicare	557	
Communication	963	
Contracts with Private Agencies	2,022	
Travel	373	
Other Supplies and Materials	379	
Total Juvenile Court		45,425

District Attorney General

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

(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

Clerical Personnel	\$ 12,136	
Social Security	752	
Unemployment Compensation	85	
Employer Medicare	176	
Total Judicial Commissioners		\$ 13,149

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 58,879	
Deputy(ies)	255,208	
Detective(s)	5,600	
Salary Supplements	6,000	
Secretary(ies)	17,825	
In-Service Training	7,395	
Social Security	21,298	
Unemployment Compensation	1,329	
Employer Medicare	4,981	
Communication	4,665	
Maintenance and Repair Services - Equipment	2,463	
Maintenance and Repair Services - Office Equipment	897	
Maintenance and Repair Services - Vehicles	7,503	
Postal Charges	410	
Travel	858	
Gasoline	29,015	
Law Enforcement Supplies	1,439	
Office Supplies	1,543	
Tires and Tubes	5,285	
Uniforms	1,560	
Other Supplies and Materials	499	
Vehicle and Equipment Insurance	4,500	
Data Processing Equipment	2,500	
Law Enforcement Equipment	2,764	
Total Sheriff's Department		444,416

Drug Enforcement

Evaluation and Testing	\$ 1,685	
Total Drug Enforcement		1,685

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$ 750	
Total Administration of the Sexual Offender Registry		750

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Guards	\$ 212,330	
Secretary(ies)	17,825	
Cafeteria Personnel	25,300	
Social Security	15,838	
Unemployment Compensation	1,923	
Employer Medicare	3,704	
Communication	2,406	
Maintenance and Repair Services - Buildings	10,869	
Maintenance and Repair Services - Office Equipment	908	
Medical and Dental Services	34,300	
Postal Charges	227	
Travel	174	
Custodial Supplies	3,378	
Electricity	20,107	
Food Supplies	28,910	
Gasoline	9,071	
Law Enforcement Supplies	2,431	
Office Supplies	1,346	
Prisoners Clothing	591	
Uniforms	1,421	
Utilities	27,538	
Other Supplies and Materials	3,868	
Law Enforcement Equipment	150	
Total Jail		\$ 424,615

Fire Prevention and Control

Supervisor/Director	\$ 26,749
In-Service Training	2,675
Social Security	1,658
Unemployment Compensation	142
Employer Medicare	388
Communication	762
Dues and Memberships	400
Travel	1,385
Electricity	1,335
Gasoline	5,200
Natural Gas	2,140
Office Supplies	899
Water and Sewer	291
Building and Contents Insurance	1,268

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Other Charges	\$ 324	
Building Construction	853	
Maintenance Equipment	9,580	
Total Fire Prevention and Control		\$ 56,049

Other Emergency Management

Supervisor/Director	\$ 22,765	
Salary Supplements	5,593	
Dispatchers/Radio Operators	82,649	
In-Service Training	1,584	
Social Security	6,976	
Unemployment Compensation	778	
Employer Medicare	1,631	
Communication	2,256	
Contracts with Private Agencies	8,000	
Maintenance and Repair Services - Buildings	1,071	
Maintenance and Repair Services - Office Equipment	2,058	
Pest Control	120	
Postal Charges	132	
Travel	944	
Other Contracted Services	430	
Custodial Supplies	1,108	
Electricity	3,309	
Natural Gas	554	
Office Supplies	2,669	
Water and Sewer	308	
Total Other Emergency Management		144,935

County Coroner/Medical Examiner

Medical Personnel	\$ 3,256	
Total County Coroner/Medical Examiner		3,256

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 5,500	
Communication	1,996	
Contracts with Government Agencies	16,410	
Custodial Supplies	155	
Drugs and Medical Supplies	138	
Electricity	5,222	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Office Supplies	\$	499	
Water and Sewer		1,765	
Building and Contents Insurance		537	
Other Charges		140	
Office Equipment		70	
Total Local Health Center			\$ 32,432

Ambulance/Emergency Medical Services

Supervisor/Director	\$	34,579	
Accountants/Bookkeepers		22,613	
Medical Personnel		235,697	
Paraprofessionals		171,012	
Social Security		28,762	
Unemployment Compensation		2,388	
Employer Medicare		6,727	
Communication		3,474	
Contracts with Private Agencies		2,070	
Operating Lease Payments		9,900	
Licenses		1,750	
Maintenance and Repair Services - Buildings		416	
Maintenance and Repair Services - Vehicles		33,186	
Pest Control		120	
Postal Charges		924	
Travel		697	
Remittance of Revenue Collected		11	
Other Contracted Services		180	
Custodial Supplies		1,488	
Drugs and Medical Supplies		27,558	
Electricity		3,093	
Gasoline		17,599	
Office Supplies		1,932	
Uniforms		3,042	
Utilities		2,524	
Data Processing Equipment		1,840	
Office Equipment		342	
Total Ambulance/Emergency Medical Services			613,924

Alcohol and Drug Programs

Part-time Personnel	\$	1,574	
Other Per Diem and Fees		9,750	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs (Cont.)

Social Security	\$	675	
Unemployment Compensation		22	
Employer Medicare		158	
Travel		2,814	
Other Contracted Services		13,945	
Instructional Supplies and Materials		989	
Office Supplies		3,412	
Other Supplies and Materials		155	
Total Alcohol and Drug Programs			\$ 33,494

Other Local Health Services

Medical Personnel	\$	43,483	
Social Security		2,696	
Unemployment Compensation		259	
Employer Medicare		631	
Travel		103	
Office Supplies		518	
Other Charges		5,602	
Total Other Local Health Services			53,292

Regional Mental Health Center

Assistant(s)	\$	6,720	
Part-time Personnel		6,250	
Other Salaries and Wages		47,500	
Social Security		1,820	
Unemployment Compensation		44	
Employer Medicare		426	
Travel		7,349	
Other Contracted Services		5,956	
Total Regional Mental Health Center			76,065

General Welfare Assistance

Bonus Payments	\$	23,400	
Social Security		1,451	
Employer Medicare		339	
Total General Welfare Assistance			25,190

Sanitation Education/Information

Laborers	\$	11,513	
Clerical Personnel		6,307	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Social Security	\$ 1,105	
Unemployment Compensation	178	
Employer Medicare	258	
Maintenance and Repair Services - Vehicles	1,350	
Gasoline	1,961	
Other Charges	4,300	
Total Sanitation Education/Information		\$ 26,972

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 51,640	
Total Adult Activities		51,640

Libraries

Deputy(ies)	\$ 19,516	
Librarians	30,728	
Bonus Payments	14,942	
Other Salaries and Wages	3,188	
Social Security	4,250	
Unemployment Compensation	433	
Employer Medicare	995	
Communication	1,697	
Dues and Memberships	425	
Janitorial Services	1,368	
Maintenance and Repair Services - Buildings	1,497	
Postal Charges	1,600	
Travel	565	
Other Contracted Services	300	
Custodial Supplies	450	
Data Processing Supplies	5,478	
Electricity	7,491	
Library Books/Media	16,385	
Natural Gas	864	
Office Supplies	2,000	
Water and Sewer	438	
Other Supplies and Materials	650	
Total Libraries		115,260

Other Social, Cultural, and Recreational

Contracts with Other Public Agencies	\$ 35,400	
Total Other Social, Cultural, and Recreational		35,400

(Continued)

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$ 8,804	
Supervisor/Director	10,900	
Secretary(ies)	5,411	
Social Security	1,246	
Local Retirement	2,614	
Communication	1,548	
Travel	1,972	
Office Supplies	1,244	
Data Processing Equipment	900	
Other Equipment	563	
Total Agriculture Extension Service		\$ 35,202

Soil Conservation

Board and Committee Members Fees	\$ 6,631	
Social Security	411	
Unemployment Compensation	93	
Employer Medicare	96	
Communication	329	
Contributions	800	
Total Soil Conservation		8,360

Flood Control

Other Supplies and Materials	\$ 38,583	
Total Flood Control		38,583

Other Operations

Tourism

Maintenance Personnel	\$ 2,645	
Social Security	164	
Unemployment Compensation	38	
Employer Medicare	38	
Contracts with Other Public Agencies	1,618	
Maintenance and Repair Services - Buildings	2,973	
Electricity	1,724	
Garage Supplies	1,075	
Other Charges	4,638	
Building Improvements	5,975	
Total Tourism		20,888

(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

County Official/Administrative Officer	\$	26,000	
Assistant(s)		6,792	
In-Service Training		935	
Social Security		2,033	
Unemployment Compensation		314	
Employer Medicare		475	
Maintenance and Repair Services - Buildings		2,824	
Custodial Supplies		19	
Food Supplies		6,291	
Office Supplies		60	
Utilities		6,671	
Other Supplies and Materials		510	
Building and Contents Insurance		2,500	
Other Charges		200	
Office Equipment		1,754	
Total Other Economic and Community Development			\$ 57,378

Public Transportation

Deputy(ies)	\$	1,680	
Social Security		104	
Employer Medicare		24	
Total Public Transportation			1,808

Airport

Contracts with Private Agencies	\$	5,475	
Maintenance Agreements		4,385	
Maintenance and Repair Services - Buildings		100	
Electricity		907	
Building and Contents Insurance		1,088	
Total Airport			11,955

Veterans' Services

County Official/Administrative Officer	\$	1,719	
Other Per Diem and Fees		772	
Social Security		154	
Employer Medicare		36	
Total Veterans' Services			2,681

Contributions to Other Agencies

Contracts with Government Agencies	\$	25	
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(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies (Cont.)

Other Supplies and Materials	\$ 1,000	
Total Contributions to Other Agencies		\$ 1,025

Employee Benefits

Unemployment Compensation	\$ 1,383	
Workers' Compensation Insurance	40,016	
Total Employee Benefits		41,399

Payments to Cities

Matching Share	\$ 5,014	
Total Payments to Cities		5,014

Miscellaneous

Contributions	\$ 4,000	
Dues and Memberships	1,615	
Remittance of Revenue Collected	9,469	
Maintenance and Repair Services - Records	14,094	
Other Contracted Services	6,472	
Liability Insurance	29,240	
Trustee's Commission	45,832	
Other Charges	1,000	
Total Miscellaneous		111,722

Capital Projects

General Administration Projects

Building Improvements	\$ 1,163	
Total General Administration Projects		1,163

Public Health and Welfare Projects

Motor Vehicles	\$ 1,349	
Total Public Health and Welfare Projects		1,349

Other General Government Projects

Other Supplies and Materials	\$ 5,371	
Airport Improvement	682,451	
Other Equipment	82,151	
Total Other General Government Projects		769,973

Total General Fund		\$ 4,358,907
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(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

General Welfare Assistance

Bonus Payments	\$	800	
Social Security		50	
Employer Medicare		12	
Total General Welfare Assistance			\$ 862

Convenience Centers

Equipment Operators	\$	79,624	
Other Salaries and Wages		5,045	
Social Security		5,075	
Unemployment Compensation		527	
Employer Medicare		1,185	
Communication		545	
Contracts with Private Agencies		96,441	
Evaluation and Testing		4,380	
Laundry Service		1,211	
Operating Lease Payments		8,101	
Maintenance and Repair Services - Equipment		24,436	
Travel		385	
Disposal Fees		1,000	
Contracts for Development Costs		189	
Diesel Fuel		21,467	
Electricity		2,530	
Water and Sewer		2,400	
Maintenance Equipment		7,125	
Total Convenience Centers			261,666

Landfill Operation and Maintenance

General Construction Materials	\$	10,296	
Total Landfill Operation and Maintenance			10,296

Other Operations

Other Charges

Trustee's Commission	\$	3,101	
Total Other Charges			3,101

Total Solid Waste/Sanitation Fund \$ 275,925

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 2,000	
Other Charges	3,729	
Motor Vehicles	30,825	
Total Drug Enforcement		\$ 36,554

Total Drug Control Fund \$ 36,554

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 54,501	
Total County Clerk's Office		\$ 54,501

Total Constitutional Officers - Fees Fund 54,501

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,477	
Accountants/Bookkeepers	29,582	
Secretary(ies)	18,316	
Data Processing Services	5,507	
Dues and Memberships	1,993	
Freight Expenses	428	
Operating Lease Payments	1,854	
Legal Notices, Recording, and Court Costs	1,152	
Postal Charges	308	
Printing, Stationery, and Forms	445	
Travel	2,344	
Office Supplies	2,035	
Other Charges	835	
Total Administration		\$ 122,276

Highway and Bridge Maintenance

Foremen	\$ 92,491
Equipment Operators	130,591
Truck Drivers	119,394
Laborers	51,953
Other Contracted Services	230,259
Asphalt - Cold Mix	5,259

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Asphalt - Hot Mix	\$ 2,560	
Asphalt - Liquid	143,650	
Concrete	226	
Crushed Stone	171,657	
Ice	561	
Other Road Supplies	3,000	
Pipe - Metal	18,532	
Road Signs	2,459	
Structural Steel	112	
Wood Products	2,162	
Other Supplies and Materials	170	
Total Highway and Bridge Maintenance		\$ 975,036

Operation and Maintenance of Equipment

Mechanic(s)	\$ 47,139	
Maintenance and Repair Services - Equipment	4,601	
Maintenance and Repair Services - Vehicles	36	
Diesel Fuel	62,181	
Equipment and Machinery Parts	27,548	
Garage Supplies	4,372	
Gasoline	20,130	
Lubricants	3,061	
Propane Gas	104	
Small Tools	305	
Tires and Tubes	7,279	
Vehicle Parts	7,139	
Total Operation and Maintenance of Equipment		183,895

Other Charges

Communication	\$ 2,769	
Contracts with Private Agencies	845	
Janitorial Services	1,380	
Pest Control	150	
Rentals	296	
Permits	140	
Custodial Supplies	609	
Drugs and Medical Supplies	145	
Electricity	3,115	
Water and Sewer	481	
Other Supplies and Materials	610	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Premiums on Corporate Surety Bonds	\$	198	
Trustee's Commission		12,757	
Vehicle and Equipment Insurance		11,893	
Other Charges		1,753	
Total Other Charges			\$ 37,141

Employee Benefits

Social Security	\$	31,115	
Life Insurance		7,643	
Medical Insurance		123,470	
Unemployment Compensation		5,278	
Employer Medicare		7,277	
Laundry Service		4,381	
Workers' Compensation Insurance		26,842	
Total Employee Benefits			206,006

Capital Outlay

Engineering Services	\$	17,391	
Bridge Construction		10,546	
Office Equipment		1,503	
State Aid Projects		335,589	
Total Capital Outlay			<u>365,029</u>

Total Highway/Public Works Fund \$ 1,889,383

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	24,044	
Principal on Notes		111,958	
Principal on Other Loans		132,000	
Total General Government			\$ 268,002

Education

Principal on Other Loans	\$	295,000	
Total Education			295,000

Interest on Debt

General Government

Interest on Bonds	\$	10,425	
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(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>General Government (Cont.)</u>		
Interest on Notes	\$ 29,053	
Interest on Other Loans	<u>26,435</u>	
Total General Government		\$ 65,913
 <u>Education</u>		
Interest on Other Loans	<u>\$ 74,255</u>	
Total Education		74,255
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	<u>\$ 8,560</u>	
Total General Government		<u>8,560</u>
Total General Debt Service Fund		\$ 711,730
 <u>General Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Industrial Development</u>		
Consultants	\$ 7,500	
Engineering Services	30,047	
Other Charges	236	
Other Construction	<u>312,349</u>	
Total Industrial Development		<u>\$ 350,132</u>
Total General Capital Projects Fund		350,132
 <u>HUD Grant Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Other Construction	<u>\$ 250,974</u>	
Total Housing and Urban Development		<u>\$ 250,974</u>
Total HUD Grant Projects Fund		250,974
 <u>Other Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Other Construction	<u>\$ 383,176</u>	
Total Housing and Urban Development		<u>\$ 383,176</u>
Total Other Capital Projects Fund		<u>383,176</u>
Total Governmental Funds - Primary Government		<u><u>\$ 8,311,282</u></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, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,149,187	
Career Ladder Program	40,500	
Career Ladder Extended Contracts	34,525	
Homebound Teachers	5,140	
Educational Assistants	123,661	
Other Salaries and Wages	14,600	
Certified Substitute Teachers	7,500	
Non-certified Substitute Teachers	43,145	
Social Security	201,709	
State Retirement	205,141	
Life Insurance	4,966	
Medical Insurance	259,033	
Unemployment Compensation	4,249	
Employer Medicare	47,204	
Other Contracted Services	54,488	
Instructional Supplies and Materials	126,222	
Textbooks	145,135	
Other Supplies and Materials	8,872	
Regular Instruction Equipment	13,567	
Total Regular Instruction Program		\$ 4,488,844

Special Education Program

Teachers	\$ 185,790	
Career Ladder Program	3,500	
Homebound Teachers	530	
Educational Assistants	42,435	
Certified Substitute Teachers	270	
Non-certified Substitute Teachers	3,155	
Social Security	14,052	
State Retirement	12,186	
Medical Insurance	20,549	
Unemployment Compensation	441	
Employer Medicare	3,268	
Instructional Supplies and Materials	6,102	
Other Supplies and Materials	1,834	
Total Special Education Program		294,112

Vocational Education Program

Teachers	\$ 204,832	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Career Ladder Program	\$	1,500	
Non-certified Substitute Teachers		3,790	
Social Security		11,943	
State Retirement		13,247	
Medical Insurance		25,126	
Unemployment Compensation		272	
Employer Medicare		2,793	
Instructional Supplies and Materials		385	
Other Supplies and Materials		265	
Vocational Instruction Equipment		1,324	
Total Vocational Education Program			\$ 265,477

Support Services

Attendance

Supervisor/Director	\$	28,611	
Career Ladder Program		500	
Social Security		1,703	
Unemployment Compensation		44	
Employer Medicare		398	
Travel		254	
Total Attendance			31,510

Health Services

Medical Personnel	\$	15,981	
Social Security		991	
Unemployment Compensation		64	
Employer Medicare		232	
Travel		394	
Other Supplies and Materials		332	
Total Health Services			17,994

Other Student Support

Guidance Personnel	\$	133,474	
School Resource Officer		12,000	
Other Salaries and Wages		35,255	
Social Security		10,183	
State Retirement		8,569	
Medical Insurance		4,478	
Unemployment Compensation		180	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Employer Medicare	\$	2,382	
Evaluation and Testing		12,370	
Travel		2,323	
Other Supplies and Materials		41,497	
Other Charges		3,767	
Total Other Student Support			\$ 266,478

Regular Instruction Program

Supervisor/Director	\$	169,089	
Career Ladder Program		3,000	
Librarians		170,396	
Instructional Computer Personnel		69,262	
Social Security		23,539	
State Retirement		21,988	
Medical Insurance		43,473	
Unemployment Compensation		387	
Employer Medicare		5,505	
Travel		2,278	
Library Books/Media		10,322	
Other Supplies and Materials		766	
In Service/Staff Development		9,282	
Other Charges		750	
Total Regular Instruction Program			530,037

Alternative Instruction Program

Supervisor/Director	\$	43,572	
Career Ladder Program		1,000	
Social Security		2,289	
State Retirement		2,862	
Medical Insurance		8,558	
Unemployment Compensation		44	
Employer Medicare		535	
Maintenance and Repair Services - Equipment		1,296	
Other Supplies and Materials		254	
In Service/Staff Development		50	
Total Alternative Instruction Program			60,460

Special Education Program

Supervisor/Director	\$	36,977	
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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.)

Special Education Program (Cont.)

Career Ladder Program	\$	1,000	
Psychological Personnel		48,075	
Other Salaries and Wages		9,450	
Social Security		5,360	
State Retirement		5,525	
Medical Insurance		4,900	
Unemployment Compensation		72	
Employer Medicare		1,272	
Travel		1,260	
Other Supplies and Materials		4,374	
Other Charges		239	
Other Equipment		9,538	
Total Special Education Program			\$ 128,042

Other Programs

On-Behalf Payments to OPEB	\$	28,493	
Total Other Programs			28,493

Board of Education

Board and Committee Members Fees	\$	5,665	
Social Security		316	
Unemployment Compensation		1	
Employer Medicare		74	
Audit Services		3,500	
Dues and Memberships		9,819	
Legal Services		814	
Travel		648	
Other Contracted Services		9,722	
Other Supplies and Materials		997	
Liability Insurance		97,961	
Premiums on Corporate Surety Bonds		892	
Trustee's Commission		39,305	
Workers' Compensation Insurance		54,655	
In Service/Staff Development		2,725	
Criminal Investigation of Applicants - TBI		2,536	
Other Charges		7,042	
Total Board of Education			236,672

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	84,366	
Career Ladder Program		1,000	
Secretary(ies)		28,750	
Clerical Personnel		27,854	
Social Security		8,609	
State Retirement		5,480	
Unemployment Compensation		173	
Employer Medicare		2,013	
Communication		5,896	
Dues and Memberships		130	
Postal Charges		2,867	
Travel		1,707	
In Service/Staff Development		485	
Administration Equipment		1,631	
Total Director of Schools			\$ 170,961

Office of the Principal

Principals	\$	262,568	
Career Ladder Program		4,500	
Assistant Principals		89,411	
Secretary(ies)		91,343	
Clerical Personnel		46,340	
Social Security		30,297	
State Retirement		22,886	
Medical Insurance		1,405	
Unemployment Compensation		614	
Employer Medicare		7,086	
Communication		9,377	
In Service/Staff Development		400	
Total Office of the Principal			566,227

Fiscal Services

Accountants/Bookkeepers	\$	25,219	
Clerical Personnel		54,586	
Social Security		4,936	
Unemployment Compensation		88	
Employer Medicare		1,154	
Data Processing Supplies		2,463	
Office Supplies		5,418	

(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.)

Other Supplies and Materials	\$	277	
Other Charges		142	
Administration Equipment		193	
Total Fiscal Services			\$ 94,476

Operation of Plant

Guards	\$	31,418	
Custodial Personnel		155,897	
Other Salaries and Wages		32,094	
Social Security		13,566	
Unemployment Compensation		771	
Employer Medicare		3,173	
Rentals		12,000	
Disposal Fees		3,915	
Other Contracted Services		8,693	
Custodial Supplies		12,119	
Electricity		322,313	
Natural Gas		64,270	
Water and Sewer		53,569	
Other Supplies and Materials		2,459	
Boiler Insurance		3,307	
Total Operation of Plant			719,564

Maintenance of Plant

Maintenance Personnel	\$	91,846	
Social Security		5,683	
Unemployment Compensation		197	
Employer Medicare		1,329	
Maintenance and Repair Services - Buildings		54,465	
Maintenance and Repair Services - Equipment		36,887	
Other Supplies and Materials		7,746	
Total Maintenance of Plant			198,153

Transportation

Supervisor/Director	\$	38,500	
Mechanic(s)		66,106	
Bus Drivers		118,631	
Other Salaries and Wages		19,500	
Social Security		14,976	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Unemployment Compensation	\$	677	
Employer Medicare		3,502	
Communication		1,610	
Maintenance and Repair Services - Vehicles		3,270	
Medical and Dental Services		2,019	
Travel		834	
Other Contracted Services		1,287	
Gasoline		61,239	
Lubricants		2,247	
Tires and Tubes		8,232	
Vehicle Parts		29,918	
Other Supplies and Materials		9,376	
In Service/Staff Development		955	
Other Charges		849	
Transportation Equipment		146,169	
Total Transportation			\$ 529,897

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	27,750	
Social Security		1,717	
Unemployment Compensation		44	
Employer Medicare		402	
Total Food Service			29,913

Community Services

Supervisor/Director	\$	19,000	
Other Salaries and Wages		9,676	
Social Security		1,759	
Unemployment Compensation		68	
Employer Medicare		411	
Travel		161	
Instructional Supplies and Materials		287	
Other Supplies and Materials		523	
Other Charges		357	
Total Community Services			32,242

Early Childhood Education

Supervisor/Director	\$	24,651	
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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.)

Early Childhood Education (Cont.)

Teachers	\$ 117,075	
Educational Assistants	40,404	
Other Salaries and Wages	17,998	
Non-certified Substitute Teachers	5,100	
Social Security	12,133	
State Retirement	9,099	
Medical Insurance	12,248	
Unemployment Compensation	425	
Employer Medicare	2,838	
Travel	1,308	
Instructional Supplies and Materials	5,537	
Other Supplies and Materials	3,335	
In Service/Staff Development	600	
Other Charges	650	
Total Early Childhood Education		\$ 253,401

Capital Outlay

Regular Capital Outlay

Consultants	\$ 4,603	
Engineering Services	2,090	
Building Improvements	251,771	
Total Regular Capital Outlay		258,464

Other Debt Service

Education

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

Total General Purpose School Fund \$ 9,601,417

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 172,750
Educational Assistants	82,763
Other Salaries and Wages	29,503
Non-certified Substitute Teachers	50
Social Security	16,658
State Retirement	11,411

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	21,966	
Unemployment Compensation		511	
Employer Medicare		3,896	
Instructional Supplies and Materials		16,613	
Other Supplies and Materials		4,692	
Regular Instruction Equipment		78,429	
Total Regular Instruction Program			\$ 439,242

Special Education Program

Teachers	\$	234,875	
Educational Assistants		154,976	
Non-certified Substitute Teachers		6,140	
Social Security		23,821	
State Retirement		13,711	
Medical Insurance		17,846	
Unemployment Compensation		1,002	
Employer Medicare		5,571	
Contracts with Private Agencies		58,586	
Instructional Supplies and Materials		17,204	
Other Supplies and Materials		2,914	
Other Charges		1,500	
Special Education Equipment		590	
Total Special Education Program			538,736

Vocational Education Program

Other Contracted Services	\$	700	
Instructional Supplies and Materials		4,615	
Vocational Instruction Equipment		9,714	
Total Vocational Education Program			15,029

Support Services

Other Student Support

Travel	\$	11,528	
Other Contracted Services		17,110	
Other Supplies and Materials		586	
Total Other Student Support			29,224

Regular Instruction Program

Supervisor/Director	\$	15,873	
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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.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Clerical Personnel	\$	7,063	
Social Security		1,421	
State Retirement		1,019	
Unemployment Compensation		50	
Employer Medicare		332	
Other Contracted Services		3,964	
Library Books/Media		7,675	
In Service/Staff Development		28,789	
Total Regular Instruction Program			\$ 66,186

Special Education Program

Travel	\$	628	
In Service/Staff Development		4,915	
Total Special Education Program			5,543

Vocational Education Program

Other Charges	\$	20	
Total Vocational Education Program			20

Total School Federal Projects Fund \$ 1,093,980

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	268,176	
Other Salaries and Wages		108	
Social Security		16,602	
Unemployment Compensation		901	
Employer Medicare		3,883	
Communication		1,328	
Maintenance and Repair Services - Equipment		26,449	
Transportation - Other than Students		2,990	
Travel		464	
Other Contracted Services		10,234	
Food Supplies		332,315	
USDA - Commodities		33,156	
Other Supplies and Materials		30,477	
In Service/Staff Development		369	
Other Charges		2,826	

(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>		
Food Service Equipment	\$ 26,270	
Total Food Service		\$ 756,548
Total Central Cafeteria Fund		\$ 756,548
Total Governmental Funds - Houston County School Department		\$ 11,451,945

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, 2010

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 401,626
Total Cash Receipts	<u>\$ 401,626</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 397,610
Trustee's Commission	4,016
Total Cash Disbursements	<u>\$ 401,626</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
Cash Balance, June 30, 2010	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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 7, 2011

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, 2010, which collectively comprise Houston County's basic financial statements and have issued our report thereon dated February 7, 2011. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Houston County Emergency Communications District, a discretely presented component unit, as described in our report on Houston County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01, 10.02, and 10.09.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.03, 10.06, 10.08, and 10.10.

Compliance and Other Matters

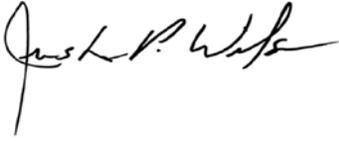
As part of obtaining reasonable assurance about whether Houston County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 10.04, 10.05, and 10.07.

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

Houston County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Houston County's response and, accordingly, we express no opinion on the response.

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 fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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 7, 2011

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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10.06 and 10.11. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

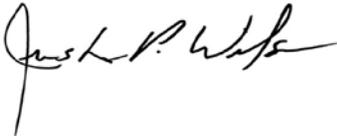
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Houston County as of and for the year ended June 30, 2010, and have issued our report thereon dated February 7, 2011. 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.

Houston County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Houston County's response and, accordingly, we express no opinion on the response.

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 prominent initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Houston County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

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	\$ 112,574
National School Lunch Program	10.555	N/A	288,268 (4)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	33,156 (4)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	14,459
Total U.S. Department of Agriculture			\$ 448,457
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-09-27980-00	\$ 293,093
Passed-through State Housing Development Agency:			
Home Investment Partnerships Program	14.239	(2)	250,974
Total U.S. Department of Housing and Urban Development			\$ 544,067
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 9,000
Enforcing Underage Drinking Laws Program	16.727	(2)	38,719
Total U.S. Department of Justice			\$ 47,719
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-09-214615-00	\$ 4,391
Total U.S. Department of Transportation			\$ 4,391
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 324,106
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	97,730
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	326,480
Special Education - Preschool Grants	84.173	N/A	13,079
Special Education - Grants to States, Recovery Act	84.391	N/A	199,998
Special Education - Preschool Grants, Recovery Act	84.392	N/A	4,724
Career and Technical Education - Basic Grants to States	84.048	N/A	46,513
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	17,789
Improving Teacher Quality State Grants	84.367	N/A	65,449
Education Technology State Grants, Recovery Act	84.386	N/A	10,112
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	267,600
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	165,857
Total U.S. Department of Education			\$ 1,539,437
U.S. Department of Health and Human Services:			
Passed-through State Department of Health:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	(2)	\$ 31,236
Direct Program:			
Drug-free Communities Support Program Grants	93.276	N/A	15,908
Total U.S. Department of Health and Human Services			\$ 47,144

(Continued)

Houston County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1745-DR-TN	\$ 22,829
Homeland Security Grant Program	97.067	GG-08-25248-00	1,643
Total U.S. Department of Homeland Security			<u>\$ 24,472</u>
Total Expenditures of Federal Awards			<u>\$ 2,655,687</u>

State Grants		Contract Number	Expenditures
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 3,070
Courtroom Security - Tennessee Administrative Office of the Courts	N/A	(2)	484
Preventive Health and Human Services - State Department of Health	N/A	Z-10-219850-00	53,641
Litter Grant - State Department of Transportation	N/A	(3)	33,609
Fasttrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	GG-09-26719-00	251,468
Airport Pavement Rehabilitation - State Department of Transportation	N/A	Z-09-214034-00	612,450
Volunteer Fire Assistance Grant - State Department of Agriculture	N/A	(2)	2,935
Internet Connectivity - State Department of Education	N/A	(2)	13,444
Early Childhood Education	N/A	(2)	282,401
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(2)	1,761
Total State Grants			<u>\$ 1,255,263</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) Z-09-212760-00: \$11,673; Z-10-220342-00: \$21,936.
(4) Total for CFDA No. 10.555 is \$321,424.

Houston County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

HOUSTON COUNTY AND HOUSTON COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	164	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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.02	165	Material audit adjustments were required for proper financial statement presentation
09.04	166	The Ambulance Service issued generic receipts in-lieu-of official receipts

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.08	168	Duties were not segregated adequately in the Offices of County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff

HOUSTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Houston County is unqualified.
2. The audit of the financial statements of Houston County disclosed significant deficiencies in internal control. Three 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 one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391 and 84.392); and the State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Fund (SFSF) – Governmental Services, Recovery Act (CFDA Nos. 84.394 and 84.397) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Houston County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The director of schools provided a written response on one finding, which is paraphrased in this report.

HOUSTON COUNTY AND HOUSTON COUNTY SCHOOL DEPARTMENT

FINDING 10.01 **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 10.02 MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2010, certain general ledger account balances in the General, Highway/Public Works, General Debt Service, General Capital Projects, and Other Capital Projects 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 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 10.03 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our audit disclosed the following deficiencies in purchasing procedures.

- A. Purchase orders were not issued for some required purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. The failure to issue purchase orders increases the risks of unauthorized purchases.
- B. In some instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.

RECOMMENDATION

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

FINDING 10.04 **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 and used a stamp to affix the official name of the county and office. 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.

FINDING 10.05 **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Noncompliance Under Government Auditing Standards)

System backups were not stored off-site. Section 10-7-121, Tennessee Code Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of those standards requires that all data generated and stored within the computer system should be copied to storage media daily, and media more than one week old should be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in May 2010.

RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.06 **THE SCHOOL DEPARTMENT DID NOT ACCOUNT FOR AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS SEPARATELY FROM OTHER SCHOOL FUNDS**
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

The School Department comingled ARRA expenditures for the State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act (CFDA No. 84.397) program with other local, state, and federal funds. The U.S. Office of Management and Budget’s (OMB) Compliance Supplement requires grantees to agree to maintain records that identify adequately the application (i.e., expenditure) of ARRA awards. In addition, grant agreements contain terms and conditions that require compliance with the Tennessee Office of Recovery Act Management (TRAM) Directives. TRAM Directive No. 2 requires governments to account for ARRA grant awards and expenditures separately from the government’s other revenues and expenditures in the government’s financial accounting system. This comingling of funds violates OMB’s compliance requirements and the grant agreement and increases the risks of preparing inaccurate reports required by ARRA. When ARRA grant requirements are not followed, the OMB can terminate the grants; suspend or debar the county from receiving grants; or, in serious cases, may apply civil or criminal penalties. Officials stated they were unaware of the requirements.

RECOMMENDATION

The School Department should separate the application (i.e., expenditure) of ARRA grant funds on the department’s accounting records.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

All ARRA funds will be cost centered in the 2010-11 budget.

OFFICES OF CIRCUIT COURT CLERK AND CLERK AND MASTER

FINDING 10.07 **THE OFFICES HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**
(Noncompliance Under Government Auditing Standards)

System backups were not stored off-site. Section 10-7-121, Tennessee Code Annotated provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management’s failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for

through the automated process. Proper system backup procedures were implemented in May 2010.

RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

OFFICE OF CLERK AND MASTER

FINDING 10.08 **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the offices generated a daily log that displayed changes made by users. This log provides the only audit trail of these changes and should be reviewed daily for inappropriate activity. Since management was not aware of its importance, officials did not begin reviewing this log until we brought it to their attention several months into the fiscal year. Procedures for reviewing this log are currently in place.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 10.09 **HOUSTON COUNTY HAS MATERIAL RECURRING AUDIT FINDINGS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Houston County has material audit findings that have been reported in its annual financial reports for three or more consecutive years. These recurring material findings are listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Houston County and the Houston County School Department do not have the resources to produce financial statements and notes to the financial statements
10.02, 09.02, 08.02	Several funds required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted findings indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller

may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Houston County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Houston County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

FINDING 10.10 **DUTIES WERE NOT SEGREGATED ADEQUATELY AT THE AMBULANCE SERVICE AND 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 Ambulance Service and 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.

BEST PRACTICE

A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED

Houston County does not have 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. 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. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Houston County. Therefore, we recommend the adoption of 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.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education: Passed-through State Department of Education: State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund (SFSE) - Government Services, Recovery Act	10.11	84.397	<u>Circular A-133</u>	Significant deficiency in Internal Control - \$ See Finding 10.06 - Houston County did not account for American Recovery and Reinvestment Act (ARRA) grants separately from other county funds.	0

**HOUSTON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010**

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

Director of Schools – Corrective Action Plan for Current-year's Findings

FINDINGS 10.06 and 10.11

Contact person:	Cathy Harvey, Director of Schools
Corrective action planned:	All ARRA funds will be cost centered in the 2010-11 budget.
Anticipated completion date:	2010-11 fiscal year