
ANNUAL FINANCIAL REPORT HOUSTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



ANNUAL FINANCIAL REPORT
HOUSTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
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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, 2011

Scope

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2011.

Results

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

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

Findings and Best Practice

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

HOUSTON COUNTY AND HOUSTON COUNTY SCHOOL DEPARTMENT

- ◆ Material audit adjustments were required for proper financial statement presentation.
-

OFFICE OF COUNTY MAYOR

- ◆ General ledger cash accounts were not reconciled with county trustee reports.
 - ◆ The office had deficiencies in purchasing procedures.
-

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK

- ◆ Bank statements for General Sessions and Juvenile courts were not accurately reconciled with the general ledgers.
-

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
 - ◆ The Sheriff's Department had several missing service firearms.
-

OTHER FINDINGS

- ◆ Houston County has a material recurring audit finding.
 - ◆ 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.
-

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, 2011

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
Darrell Allison, Sheriff

Board of County Commissioners

George Clark, County Mayor, Chairman
William Agy
Joey Brake
Ray Elliott
Randall French
James Fussell
Martha Greenfield
Steve Hall

George Jeram
Darrell Kingsmill
Donnie Lewis
Leslie Lewis
Chris Selph
Larry Sykes
James Van Fleet

Board of Education

Tommy Beechum, Chairman
Kendall Coleman
Sandy Harvey
Charlie Ligon

Robert Mitchell
Carlisle Mitchum, III
Kinny Spears

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
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

October 31, 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, 2011, which collectively comprise Houston County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Houston County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements of the Houston County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Houston County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects

on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Houston County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Houston County, Tennessee, as of June 30, 2011, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County, Tennessee, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

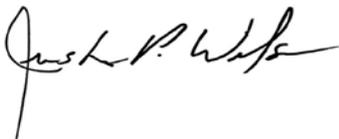
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 and other postemployment benefits information on pages 52 through 58 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Houston County, Tennessee
Statement of Net Assets
June 30, 2011

	<u>Primary Governmental Activities</u>	<u>Component Unit Houston County School Department</u>
<u>ASSETS</u>		
Cash	\$ 5,344	\$ 0
Equity in Pooled Cash and Investments	4,046,334	4,575,152
Accounts Receivable	952,757	0
Allowance for Uncollectibles	(417,650)	0
Due from Other Governments	352,586	497,039
Due from Component Units	135,146	0
Property Taxes Receivable	2,377,866	716,062
Allowance for Uncollectible Property Taxes	(93,162)	(28,054)
Accrued Interest Receivable	0	48,191
Capital Assets:		
Assets Not Depreciated:		
Land	697,592	333,220
Construction in Progress	830,023	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,231,041	7,747,340
Infrastructure	920,510	0
Other Capital Assets	876,915	1,233,727
Total Assets	<u>\$ 12,915,302</u>	<u>\$ 15,122,677</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 10,071	\$ 224,926
Payroll Deductions Payable	3,271	154,330
Contracts Payable	66,742	122,254
Accrued Interest Payable	16,114	0
Deferred Revenue - Current Property Taxes	2,159,337	650,255
Noncurrent Liabilities:		
Due Within One Year	764,703	0
Due in More Than One Year	11,403,917	151,232
Total Liabilities	<u>\$ 14,424,155</u>	<u>\$ 1,302,997</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 2,086,540	\$ 0
Invested in Capital Assets	0	9,314,287
Restricted for:		
Solid Waste/Sanitation	152,591	0
Highway/Public Works	1,208,101	0
Central Cafeteria	0	190,180
Debt Service	1,754,138	0
Public Safety	171,523	0
Other Purposes	166,963	11,472
Unrestricted	<u>(7,048,709)</u>	<u>4,303,741</u>
Total Net Assets (Deficit)	<u>\$ (1,508,853)</u>	<u>\$ 13,819,680</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, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Houston County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 598,615	\$ 67,544	\$ 19,259	\$ 24,202	\$ (487,610)	\$ 0
Finance	355,239	200,868	0	0	(154,371)	0
Administration of Justice	340,241	149,077	63,653	0	(127,511)	0
Public Safety	1,329,161	132,904	143,036	0	(1,053,221)	0
Public Health and Welfare	1,201,727	597,065	244,084	34,344	(326,234)	0
Social, Cultural, and Recreational Services	217,466	5,320	20,383	0	(191,763)	0
Agriculture and Natural Resources	126,521	0	0	0	(126,521)	0
Other Operations	454,873	46,328	56,814	345,694	(6,037)	0
Highway/Public Works	1,296,115	25,236	1,275,144	1,355,641	1,359,906	0
Education	500,000	0	0	0	(500,000)	0
Interest on Long-term Debt	136,725	0	488,082	0	351,357	0
Other Debt Service	7,813	0	0	0	(7,813)	0
Total Primary Government	\$ 6,564,496	\$ 1,224,342	\$ 2,310,455	\$ 1,759,881	\$ (1,269,818)	\$ 0
Component Unit:						
Houston County School Department	\$ 12,343,220	\$ 325,638	\$ 2,593,803	\$ 604,821	\$ 0	\$ (8,818,958)
Total Component Unit	\$ 12,343,220	\$ 325,638	\$ 2,593,803	\$ 604,821	\$ 0	\$ (8,818,958)

(Continued)

Exhibit B

Houston County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
				Government	Unit
Expenses	Expenses	Contributions	Governmental Activities	Houston County School Department	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,166,230	\$ 660,481
Property Taxes Levied for Debt Service				27,058	0
Local Option Sales Taxes				107,199	519,231
Payments in-Lieu-of Taxes - Local Utilities				30,456	0
Wheel Tax				321,898	0
Wholesale Beer Tax				35,763	0
Other Local Taxes				38,379	32,999
Grants and Contributions Not Restricted to Specific Programs				123,796	8,043,929
Unrestricted Investment Income				0	94,378
Miscellaneous				29,212	30,632
Total General Revenues				<u>\$ 2,879,991</u>	<u>\$ 9,381,650</u>
Change in Net Assets				\$ 1,610,173	\$ 562,692
Net Assets (Deficit), July 1, 2010				<u>(3,119,026)</u>	<u>13,256,988</u>
Net Assets (Deficit), June 30, 2011				<u>\$ (1,508,853)</u>	<u>\$ 13,819,680</u>

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

Exhibit C-1

Houston County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway /	General	Other	
		Public Works	Debt Service	Governmental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 5,344	\$ 5,344
Equity in Pooled Cash and Investments	1,259,039	1,063,802	1,564,055	159,438	4,046,334
Accounts Receivable	931,985	20,703	7	62	952,757
Allowance for Uncollectibles	(417,650)	0	0	0	(417,650)
Due from Other Governments	109,215	238,254	50	5,067	352,586
Due from Component Units	0	659	134,487	0	135,146
Property Taxes Receivable	2,094,142	13,511	31,911	238,302	2,377,866
Allowance for Uncollectible Property Taxes	(82,045)	(530)	(2,387)	(8,200)	(93,162)
Advances to Other Funds	0	0	66,667	0	66,667
Total Assets	\$ 3,894,686	\$ 1,336,399	\$ 1,794,790	\$ 400,013	\$ 7,425,888
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 1,639	\$ 8,285	\$ 0	\$ 147	\$ 10,071
Payroll Deductions Payable	223	3,048	0	0	3,271
Contracts Payable	0	24,144	0	42,598	66,742
Deferred Revenue - Current Property Taxes	1,901,688	12,269	24,538	220,842	2,159,337
Deferred Revenue - Delinquent Property Taxes	101,591	655	4,872	8,236	115,354
Other Deferred Revenues	482,472	128,245	0	4,000	614,717
Advances from Other Funds	0	66,667	0	0	66,667
Total Liabilities	\$ 2,487,613	\$ 243,313	\$ 29,410	\$ 275,823	\$ 3,036,159
Fund Balances					
Restricted:					
Restricted for General Government	\$ 7,449	\$ 0	\$ 0	\$ 0	\$ 7,449
Restricted for Finance	1,278	0	0	0	1,278
Restricted for Administration of Justice	14,408	0	0	0	14,408
Restricted for Public Safety	171,523	0	0	21,089	192,612
Restricted for Public Health and Welfare	0	0	0	75,527	75,527
Restricted for Other Operations	122,739	0	0	0	122,739
Restricted for Highways/Public Works	0	1,051,281	0	0	1,051,281
Restricted for Debt Service	0	0	33,228	0	33,228
Committed:					
Committed for Finance	0	0	0	5,344	5,344
Committed for Public Health and Welfare	0	0	0	64,828	64,828
Committed for Highways/Public Works	0	41,805	0	0	41,805
Committed for Debt Service	0	0	1,732,152	0	1,732,152
Unassigned	1,089,676	0	0	(42,598)	1,047,078
Total Fund Balances	\$ 1,407,073	\$ 1,093,086	\$ 1,765,380	\$ 124,190	\$ 4,389,729
Total Liabilities and Fund Balances	\$ 3,894,686	\$ 1,336,399	\$ 1,794,790	\$ 400,013	\$ 7,425,888

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, 2011

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)		\$	4,389,729
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	697,592	
Add: construction in progress		830,023	
Add: buildings and improvements net of accumulated depreciation		2,231,041	
Add: infrastructure net of accumulated depreciation		920,510	
Add: other capital assets net of accumulated depreciation		<u>876,915</u>	5,556,081
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
Add: deferred delinquent property taxes and other deferred			730,071
(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	\$	(1,326,370)	
Less: other loans payable		(10,084,200)	
Less: bonds payable		(174,790)	
Less: compensated absences payable		(13,885)	
Less: landfill closure/postclosure care costs		(569,375)	
Less: accrued interest on notes and bonds		<u>(16,114)</u>	<u>(12,184,734)</u>
Net assets (deficit) of governmental activities (Exhibit A)			<u>\$ (1,508,853)</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, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,142,334	\$ 12,809	\$ 355,896	\$ 224,940	\$ 2,735,979
Licenses and Permits	3,429	0	0	0	3,429
Fines, Forfeitures, and Penalties	35,388	0	0	17,375	52,763
Charges for Current Services	579,020	0	2,726	54,772	636,518
Other Local Revenues	74,779	31,246	4	5,751	111,780
Fees Received from County Officials	260,077	0	0	0	260,077
State of Tennessee	353,536	1,456,131	64,180	183,771	2,057,618
Federal Government	236,194	1,181,757	0	232,753	1,650,704
Other Governments and Citizens Groups	102,603	5,000	488,082	16,826	612,511
Total Revenues	\$ 3,787,360	\$ 2,686,943	\$ 910,888	\$ 736,188	\$ 8,121,379
<u>Expenditures</u>					
Current:					
General Government	\$ 567,756	\$ 0	\$ 0	\$ 0	\$ 567,756
Finance	287,730	0	0	56,193	343,923
Administration of Justice	324,924	0	0	0	324,924
Public Safety	1,177,837	0	0	17,789	1,195,626
Public Health and Welfare	852,161	0	0	271,324	1,123,485
Social, Cultural, and Recreational Services	203,181	0	0	0	203,181
Agriculture and Natural Resources	122,782	0	0	0	122,782
Other Operations	238,225	0	0	245,394	483,619
Highways	0	1,949,794	0	0	1,949,794
Debt Service:					
Principal on Debt	0	0	677,453	0	677,453
Interest on Debt	0	0	138,232	0	138,232
Other Debt Service	0	0	7,813	0	7,813
Capital Projects	139,347	0	0	500,000	639,347
Total Expenditures	\$ 3,913,943	\$ 1,949,794	\$ 823,498	\$ 1,090,700	\$ 7,777,935
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (126,583)	\$ 737,149	\$ 87,390	\$ (354,512)	\$ 343,444
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 242,879	\$ 77,877	\$ 0	\$ 500,000	\$ 820,756
Insurance Recovery	87,426	0	0	12,556	99,982
Total Other Financing Sources (Uses)	\$ 330,305	\$ 77,877	\$ 0	\$ 512,556	\$ 920,738
Net Change in Fund Balances					
Fund Balance, July 1, 2010	\$ 1,103,351	\$ 378,060	\$ 1,677,990	\$ (33,854)	\$ 3,125,547
Prior-period Adjustment	100,000	(100,000)	0	0	0
Fund Balance, June 30, 2011	\$ 1,407,073	\$ 1,093,086	\$ 1,765,380	\$ 124,190	\$ 4,389,729

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, 2011

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)		\$	1,264,182
(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	\$	854,878	
Less: current-year depreciation expense		<u>(417,216)</u>	437,662
(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, 2011	\$	730,071	
Less: deferred delinquent property taxes and other deferred June 30, 2010		<u>(676,781)</u>	53,290
(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	\$	<u>(820,756)</u>	
Add: principal payments on notes		205,057	
Add: principal payments on other loans		448,000	
Add: principal payments on bonds		<u>24,396</u>	(143,303)
(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	\$	1,507	
Change in compensated absences payable		2,400	
Write-down of due from component unit		72	
Change in landfill closure/postclosure care costs		<u>(5,637)</u>	<u>(1,658)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 1,610,173</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 219,675
Investments	569
Due from Other Governments	<u>68,084</u>
Total Assets	<u>\$ 288,328</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 68,084
Due to Litigants, Heirs, and Others	<u>220,244</u>
Total Liabilities	<u>\$ 288,328</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, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

The Houston County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the

Houston County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Houston County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Houston County issues all debt for the discretely presented Houston County School Department. Net debt issues totaling \$500,000 were contributed by the county to the School Department during the year ended June 30, 2011.

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 special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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 and to account for the receipt of debt issued by Houston County and contributed to the School Department for building construction.

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 funds:

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.

School Federal Projects Fund – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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 General Debt Service Fund financial statements, are included in committed fund balance.

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 2.1 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the 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 refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of

the refunded debt or the life of the new debt issued, whichever is shorter.

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 \$3,453,316 of restricted net assets, of which \$122,739 is restricted by enabling legislation.

As of June 30, 2011, Houston County had \$8,115,819 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

7. Prior-period Adjustment

In the prior year, an interfund loan for the Highway/Public Works Fund was incorrectly reflected in the General Fund. Consequently, fund equity of the Highway/Public Works Fund was restated and reduced \$100,000, and fund equity of the General Fund was restated and increased \$100,000 as of the beginning of the year.

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 with 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 with 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.

At June 30, 2011, Houston County and the Houston County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government		
Major Fund:		
Highway/Public Works	Bridge construction	\$ 117,332
School Department:		
Major Fund:		
General Purpose School	Buses	174,222

B. Fund Deficit

The Other Capital Projects Fund had a fund deficit of \$42,598 at June 30, 2011. This fund deficit resulted from the recognition of contracts payable totaling \$42,598 at June 30, 2011, and the filing for reimbursement of the contracts payable subsequent to that date. This fund deficit was liquidated when grant proceeds were received after June 30, 2011.

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 Balance. As of June 30, 2011, 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	\$ 569

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, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 697,097	\$ 495	\$ 697,592
Construction in Progress	229,509	600,514	830,023
Total Capital Assets Not Depreciated	\$ 926,606	\$ 601,009	\$ 1,527,615

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 3,290,015	\$ 0	\$ 3,290,015
Infrastructure	964,255	58,818	1,023,073
Other Capital Assets	4,275,383	195,051	4,470,434
Total Capital Assets			
Depreciated	<u>\$ 8,529,653</u>	<u>\$ 253,869</u>	<u>\$ 8,783,522</u>
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 983,023	\$ 75,951	\$ 1,058,974
Infrastructure	56,894	45,669	102,563
Other Capital Assets	3,297,923	295,596	3,593,519
Total Accumulated			
Depreciation	<u>\$ 4,337,840</u>	<u>\$ 417,216</u>	<u>\$ 4,755,056</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 4,191,813</u>	<u>\$ (163,347)</u>	<u>\$ 4,028,466</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 5,118,419</u>	<u>\$ 437,662</u>	<u>\$ 5,556,081</u>

There were no decreases in capital assets during the year. 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	184,900
Public Health and Welfare	52,805
Social, Cultural, and Recreational Services	12,731
Agriculture and Natural Resources	3,724
Other Operations	34,123
Highway/Public Works	<u>86,497</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 417,216</u>

Discretely Presented Houston County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 333,220	\$ 0	\$ 0	\$ 333,220
Total Capital Assets Not Depreciated	<u>\$ 333,220</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 333,220</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,877,894	\$ 12,200	\$ (60,593)	\$ 13,829,501
Other Capital Assets	2,535,720	281,057	0	2,816,777
Total Capital Assets Depreciated	<u>\$ 16,413,614</u>	<u>\$ 293,257</u>	<u>\$ (60,593)</u>	<u>\$ 16,646,278</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 5,776,909	\$ 313,331	\$ (8,079)	\$ 6,082,161
Other Capital Assets	1,423,435	159,615	0	1,583,050
Total Accumulated Depreciation	<u>\$ 7,200,344</u>	<u>\$ 472,946</u>	<u>\$ (8,079)</u>	<u>\$ 7,665,211</u>
Total Capital Assets Depreciated, Net	<u>\$ 9,213,270</u>	<u>\$ (179,689)</u>	<u>\$ (52,514)</u>	<u>\$ 8,981,067</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,546,490</u>	<u>\$ (179,689)</u>	<u>\$ (52,514)</u>	<u>\$ 9,314,287</u>

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

Governmental Activities:

Instruction	\$ 208,989
Support Services	233,884
Operation of Non-Instructional Services	<u>30,073</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 472,946</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2011, was 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	\$ 659
General Debt Service	Emergency Communications District	134,487

The receivable in the Highway/Public Works Fund was in transit from the Emergency Communications District at June 30, 2011.

Interfund Loans to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General Debt Service	Highway/Public Works	\$ 66,667

This balance resulted from an advance to the Highway/Public Works 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, 2011, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	4 to 5 %	\$ 606,500	\$ 174,790
Capital Outlay Notes	3.29 to 4.64	1,712,743	1,326,370
Other Loans	variable	13,446,200	10,084,200

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, 2011, 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, 2011, the variable interest rate was .22 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, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2017-2018	42,560	2,076	44,636
Total	\$ 174,790	\$ 30,087	\$ 204,877

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 220,767	\$ 46,354	\$ 267,121
2013	203,494	38,130	241,624
2014	610,819	26,605	637,424
2015	88,231	10,685	98,916
2016	88,229	7,429	95,658
2017-2020	114,830	8,088	122,918
Total	\$ 1,326,370	\$ 137,291	\$ 1,463,661

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 471,000	\$ 22,185	\$ 51,433	\$ 544,618
2013	494,000	21,149	49,078	564,227
2014	518,000	20,062	46,608	584,670
2015	544,000	18,923	44,018	606,941
2016	571,000	17,726	41,298	630,024
2017-2021	3,206,200	68,572	160,793	3,435,565
2022-2026	3,604,000	31,148	74,959	3,710,107
2027	676,000	1,486	3,978	681,464
Total	\$ 10,084,200	\$ 201,251	\$ 472,165	\$ 10,757,616

There is \$1,765,380 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$21, based on the 2010 federal census. Debt per capita, including bonds, notes, and other loans totaled \$1,375, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2010	\$ 199,186	\$ 710,671	\$ 10,532,200
Additions	0	820,756	0
Deductions	(24,396)	(205,057)	(448,000)
Balance, June 30, 2011	<u>\$ 174,790</u>	<u>\$ 1,326,370</u>	<u>\$ 10,084,200</u>
Balance Due Within One Year	<u>\$ 24,794</u>	<u>\$ 220,767</u>	<u>\$ 471,000</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2010	\$ 16,285	\$ 563,738
Additions	23,833	5,637
Deductions	(26,233)	0
Balance, June 30, 2011	<u>\$ 13,885</u>	<u>\$ 569,375</u>
Balance Due Within One Year	<u>\$ 694</u>	<u>\$ 47,448</u>

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, 2011	\$ 12,168,620
Less: Balance Due Within One Year	<u>(764,703)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,403,917</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, 2011, was as follows:

Governmental Activities:	Other Postemployment Benefits
Balance, July 1, 2010	\$ 107,628
Additions	79,255
Deductions	(35,651)
Balance, June 30, 2011	\$ 151,232
Balance Due Within One Year	\$ 0

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 \$8,226,026 with annual requirements ranging from approximately \$380,958 in the next fiscal year to \$681,465 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 \$382,126 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, 2011, were \$11,937 and \$6,111, 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 Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Houston County and the Houston County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Contingent Liabilities

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

The attorneys for the School Department advised that there were no pending lawsuits, unasserted claims, or assessments involving the School Department that would materially affect the School Department's financial statements.

D. Change in Administration

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

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 \$569,375 reported as postclosure care liability at June 30, 2011, represents amounts based on what it would cost to perform all postclosure care in 2011. 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.

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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary 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, 2011, was 9.05 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, 2011, 2010, and 2009, were \$460,762, \$333,124, and \$327,550, 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. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result, all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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, 2011, the Houston County School Department contributed \$35,651 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 79,000
Interest on the NPO	4,843
Adjustment to the ARC	<u>(4,588)</u>
Annual OPEB cost	\$ 79,255
Less: Amount of contribution	<u>(35,651)</u>
Increase/decrease in NPO	\$ 43,604
Net OPEB obligation, 7-1-10	<u>107,628</u>
 Net OPEB obligation, 6-30-11	 <u><u>\$ 151,232</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Education Group	\$ 59,558	35%	\$ 70,230
6-30-10	"	76,167	51	107,628
6-30-11	"	79,255	45	151,232

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 744,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 744,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,742,372
UAAL as a % of covered payroll	27%

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, 2010, 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 ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes 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, which includes 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.

**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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,142,334	\$ 2,115,400	\$ 2,115,400	\$ 26,934
Licenses and Permits	3,429	3,700	3,700	(271)
Fines, Forfeitures, and Penalties	35,388	29,400	29,400	5,988
Charges for Current Services	579,020	569,300	574,883	4,137
Other Local Revenues	74,779	49,200	61,642	13,137
Fees Received from County Officials	260,077	266,000	266,000	(5,923)
State of Tennessee	353,536	600,111	682,858	(329,322)
Federal Government	236,194	47,500	316,283	(80,089)
Other Governments and Citizens Groups	102,603	93,000	93,000	9,603
Total Revenues	<u>\$ 3,787,360</u>	<u>\$ 3,773,611</u>	<u>\$ 4,143,166</u>	<u>\$ (355,806)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 39,652	\$ 41,970	\$ 42,970	\$ 3,318
Board of Equalization	1,034	1,748	1,748	714
Budget and Finance Committee	4,330	4,403	4,403	73
Other Boards and Committees	10,813	0	11,183	370
County Mayor/Executive	137,012	147,296	147,296	10,284
County Attorney	18,552	18,871	18,871	319
Election Commission	119,367	146,130	146,130	26,763
Register of Deeds	84,603	92,237	92,237	7,634
Planning	1,158	6,764	5,764	4,606
Building	1,739	7,500	7,500	5,761
Geographical Information Systems	57,956	58,498	116,997	59,041
County Buildings	71,847	79,536	78,576	6,729
Other General Administration	19,693	20,500	20,500	807
Preservation of Records	0	1,500	1,500	1,500
<u>Finance</u>				
Central Services	12,468	12,599	12,599	131
Property Assessor's Office	82,656	90,776	90,776	8,120
Reappraisal Program	7,000	8,463	8,463	1,463
County Trustee's Office	104,795	116,479	116,479	11,684
County Clerk's Office	78,011	89,228	89,228	11,217
Data Processing	2,800	19,222	21,622	18,822
<u>Administration of Justice</u>				
Circuit Court	119,087	133,892	133,892	14,805
General Sessions Judge	55,322	56,693	55,483	161
Chancery Court	86,812	93,061	93,061	6,249
Juvenile Court	45,948	53,001	53,001	7,053
District Attorney General	2,585	2,585	2,585	0
Judicial Commissioners	13,575	13,559	13,559	(16)
Other Administration of Justice	1,595	5,000	5,000	3,405

(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</u>				
Sheriff's Department	\$ 466,754	\$ 503,088	\$ 509,648	\$ 42,894
Special Patrols	5,605	0	13,385	7,780
Drug Enforcement	2,910	3,000	3,000	90
Administration of the Sexual Offender Registry	150	2,000	2,000	1,850
Jail	456,769	502,559	505,001	48,232
Fire Prevention and Control	78,182	81,736	83,736	5,554
Rural Fire Protection	7,633	0	235,500	227,867
Other Emergency Management	148,894	155,372	155,372	6,478
County Coroner/Medical Examiner	10,940	15,070	15,070	4,130
Public Safety Grant Programs	0	0	13,385	13,385
<u>Public Health and Welfare</u>				
Local Health Center	35,676	38,197	38,198	2,522
Ambulance/Emergency Medical Services	633,463	681,965	681,965	48,502
Other Local Health Services	46,982	58,740	58,740	11,758
Regional Mental Health Center	107,636	47,275	189,648	82,012
Sanitation Education/Information	28,404	29,237	72,474	44,070
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	50,890	51,640	51,640	750
Libraries	116,891	118,477	118,477	1,586
Other Social, Cultural, and Recreational	35,400	35,400	35,400	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	35,939	37,425	37,425	1,486
Forest Service	5,151	0	6,000	849
Soil Conservation	8,747	11,763	11,763	3,016
Flood Control	72,945	96,519	104,782	31,837
<u>Other Operations</u>				
Tourism	26,729	44,136	44,136	17,407
Tourism-Resort District	0	130,740	130,740	130,740
Other Economic and Community Development	67,096	83,647	83,647	16,551
Airport	4,914	21,600	91,600	86,686
Veterans' Services	2,703	2,739	2,739	36
Other Charges	400	0	10,000	9,600
Contributions to Other Agencies	1,000	2,500	2,500	1,500
Employee Benefits	38,665	62,000	62,000	23,335
Payments to Cities	5,849	6,000	6,000	151
ARRA Grant # 1	0	27,500	27,500	27,500
Miscellaneous	90,869	126,971	126,971	36,102
<u>Principal on Debt</u>				
General Government	0	400,000	400,000	400,000
<u>Interest on Debt</u>				
General Government	0	12,500	6,500	6,500

(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</u>				
General Administration Projects	\$ 3,058	\$ 12,000	\$ 12,000	\$ 8,942
Administration of Justice Projects	23,115	23,115	23,115	0
Public Health and Welfare Projects	93,476	1,101	93,980	504
Other General Government Projects	19,698	134,467	136,319	116,621
Total Expenditures	<u>\$ 3,913,943</u>	<u>\$ 4,881,990</u>	<u>\$ 5,593,779</u>	<u>\$ 1,679,836</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (126,583)</u>	<u>\$ (1,108,379)</u>	<u>\$ (1,450,613)</u>	<u>\$ 1,324,030</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 242,879	\$ 489,172	\$ 732,051	\$ (489,172)
Insurance Recovery	87,426	0	86,460	966
Total Other Financing Sources (Uses)	<u>\$ 330,305</u>	<u>\$ 489,172</u>	<u>\$ 818,511</u>	<u>\$ (488,206)</u>
Net Change in Fund Balance	\$ 203,722	\$ (619,207)	\$ (632,102)	\$ 835,824
Fund Balance, July 1, 2010	1,103,351	1,201,824	1,201,824	(98,473)
Prior Period Adjustment	100,000	0	0	100,000
Fund Balance, June 30, 2011	<u>\$ 1,407,073</u>	<u>\$ 582,617</u>	<u>\$ 569,722</u>	<u>\$ 837,351</u>

Exhibit E-2

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 12,809	\$ 0	\$ 12,809	\$ 13,980	\$ 13,980	\$ (1,171)
Fines, Forfeitures, and Penalties	0	0	0	50	50	(50)
Other Local Revenues	31,246	0	31,246	36,000	36,000	(4,754)
State of Tennessee	1,456,131	0	1,456,131	1,756,398	1,756,398	(300,267)
Federal Government	1,181,757	0	1,181,757	717,800	1,276,654	(94,897)
Other Governments and Citizens Groups	5,000	0	5,000	0	0	5,000
Total Revenues	\$ 2,686,943	\$ 0	\$ 2,686,943	\$ 2,524,228	\$ 3,083,082	\$ (396,139)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 156,578	\$ 0	\$ 156,578	\$ 165,153	\$ 170,403	\$ 13,825
Highway and Bridge Maintenance	979,827	0	979,827	1,512,365	1,744,425	764,598
Operation and Maintenance of Equipment	221,750	0	221,750	224,760	262,760	41,010
Other Charges	41,137	0	41,137	42,719	45,319	4,182
Employee Benefits	219,719	0	219,719	224,200	242,920	23,201
Capital Outlay	330,783	117,332	448,115	497,000	574,877	126,762
<u>Principal on Debt</u>						
Highways and Streets	0	0	0	33,333	33,333	33,333
Interest on Debt	0	0	0	1,000	1,000	1,000
Highways and Streets	1,949,794	117,332	2,067,126	2,700,530	3,075,037	1,007,911
Total Expenditures	\$ 737,149	\$ (117,332)	\$ 619,817	\$ (176,302)	\$ 8,045	\$ 611,772
Excess (Deficiency) of Revenues Over Expenditures						

(Continued)

Exhibit E-2

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 77,877	0	\$ 77,877	0	\$ 77,877	\$ 0
Insurance Recovery	0	0	0	20,703	20,703	(20,703)
Total Other Financing Sources (Uses)	\$ 77,877	0	\$ 77,877	20,703	\$ 98,580	\$ (20,703)
Net Change in Fund Balance	\$ 815,026	(117,332)	\$ 697,694	(155,599)	\$ 106,625	\$ 591,069
Fund Balance, July 1, 2010	378,060	0	378,060	449,611	449,611	(71,551)
Prior Period Adjustment	(100,000)	0	(100,000)	0	0	(100,000)
Fund Balance, June 30, 2011	\$ 1,093,086	(117,332)	\$ 975,754	294,012	\$ 556,236	\$ 419,518

Exhibit E-3

Houston County, Tennessee
 Schedule of Funding Progress – Other Postemployment Benefits Plan
 Discretely Presented Houston County School Department
 June 30, 2011

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial			Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Value of Assets (a)	Accrued Liability (AAL) (b)	Value of Assets (a)				
Local Education Group	7-1-07	\$ 0	\$ 520	\$ 520	0%	\$ 2,909	18%	
"	7-1-09	0	715	715	0	2,833	25	
"	7-1-10	0	744	744	0	2,742	27	

HOUSTON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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.

At June 30, 2011, Houston County reported the following significant encumbrance in the Highway/Public Works Fund:

<u>Description</u>	<u>Amount</u>
Bridge construction	\$ 117,332

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

General Capital Projects Fund – The General Capital Projects Fund is used to account for grant proceeds received for water system improvements for Magnum Industries and for the receipt of debt issued by Houston County and contributed to the School Department for building construction.

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.

Houston County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Other Capital Projects		
\$	0	0	5,344	5,344	0	0	5,344
Equity in Pooled Cash and Investments	138,349	21,089	0	159,438	0	0	159,438
Accounts Receivable	62	0	0	62	0	0	62
Due from Other Governments	5,067	0	0	5,067	0	0	5,067
Property Taxes Receivable	238,302	0	0	238,302	0	0	238,302
Allowance for Uncollectible Property Taxes	(8,200)	0	0	(8,200)	0	0	(8,200)
Total Assets	373,580	21,089	5,344	400,013	0	0	400,013

ASSETS

Cash	0
Equity in Pooled Cash and Investments	138,349
Accounts Receivable	62
Due from Other Governments	5,067
Property Taxes Receivable	238,302
Allowance for Uncollectible Property Taxes	(8,200)
Total Assets	373,580

LIABILITIES AND FUND BALANCES

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Other Capital Projects		
\$	147	0	0	147	0	0	147
Accounts Payable	0	0	0	0	42,598	0	42,598
Contracts Payable	220,842	0	0	220,842	0	0	220,842
Deferred Revenue - Current Property Taxes	8,236	0	0	8,236	0	0	8,236
Deferred Revenue - Delinquent Property Taxes	4,000	0	0	4,000	0	0	4,000
Other Deferred Revenues	233,225	0	0	233,225	42,598	0	275,823
Total Liabilities	233,225	0	0	233,225	42,598	0	275,823
Fund Balances							
Restricted:							
Restricted for Public Safety	0	21,089	0	21,089	0	0	21,089
Restricted for Public Health and Welfare	75,527	0	0	75,527	0	0	75,527
Committed:							
Committed for Finance	0	0	5,344	5,344	0	0	5,344
Committed for Public Health and Welfare	64,828	0	0	64,828	0	0	64,828
Unassigned	0	0	0	0	(42,598)	0	(42,598)
Total Fund Balances	140,355	21,089	5,344	166,788	(42,598)	0	124,190
Total Liabilities and Fund Balances	373,580	21,089	5,344	400,013	0	0	400,013

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, 2011

	Special Revenue Funds				Capital Projects Funds				Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constituti- onal - Officers - Fees	Total	General Capital Projects	HUD Grant Projects	Other Capital Projects	Total	
Revenues									
Local Taxes	\$ 224,940	\$ 0	\$ 0	\$ 224,940	\$ 0	\$ 0	\$ 0	\$ 224,940	
Fines, Forfeitures, and Penalties	0	17,375	0	17,375	0	0	0	17,375	
Charges for Current Services	0	0	54,772	54,772	0	0	0	54,772	
Other Local Revenues	5,677	0	0	5,677	0	0	74	5,751	
State of Tennessee	53,312	0	0	53,312	130,459	0	0	130,459	183,771
Federal Government	34,344	0	0	34,344	0	49,869	148,540	198,409	232,753
Other Governments and Citizens Groups	0	0	0	0	0	0	16,826	16,826	16,826
Total Revenues	\$ 318,273	\$ 17,375	\$ 54,772	\$ 390,420	\$ 130,459	\$ 49,869	\$ 165,440	\$ 345,768	\$ 736,188
Expenditures									
Current:									
Finance	\$ 0	\$ 0	\$ 56,193	\$ 56,193	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,193
Public Safety	0	17,789	0	17,789	0	0	0	0	17,789
Public Health and Welfare	271,324	0	0	271,324	0	0	0	0	271,324
Other Operations	4,972	0	0	4,972	32,031	49,869	158,522	240,422	245,394
Capital Projects	0	0	0	0	500,000	0	0	500,000	500,000
Total Expenditures	\$ 276,296	\$ 17,789	\$ 56,193	\$ 350,278	\$ 532,031	\$ 49,869	\$ 158,522	\$ 740,422	\$ 1,090,700
Excess (Deficiency) of Revenues Over Expenditures	\$ 41,977	\$ (414)	\$ (1,421)	\$ 40,142	\$ (401,572)	\$ 0	\$ 6,918	\$ (394,654)	\$ (354,512)
Other Financing Sources (Uses)									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,000	\$ 0	\$ 0	\$ 500,000	\$ 500,000
Insurance Recovery	12,556	0	0	12,556	0	0	0	0	12,556
Total Other Financing Sources (Uses)	\$ 12,556	\$ 0	\$ 0	\$ 12,556	\$ 500,000	\$ 0	\$ 0	\$ 500,000	\$ 512,556
Net Change in Fund Balances Fund Balance, July 1, 2010	\$ 54,533	\$ (414)	\$ (1,421)	\$ 52,698	\$ 98,428	\$ 0	\$ 6,918	\$ 105,346	\$ 158,044
	85,822	21,503	6,765	114,090	(98,428)	0	(49,516)	(147,944)	(33,854)
Fund Balance, June 30, 2011	\$ 140,355	\$ 21,089	\$ 5,344	\$ 166,788	\$ 0	\$ 0	\$ (42,598)	\$ (42,598)	\$ 124,190

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 224,940	\$ 228,650	\$ 228,650	\$ (3,710)
Other Local Revenues	5,677	10,000	10,000	(4,323)
State of Tennessee	53,312	40,350	40,350	12,962
Federal Government	34,344	17,000	17,000	17,344
Total Revenues	<u>\$ 318,273</u>	<u>\$ 296,000</u>	<u>\$ 296,000</u>	<u>\$ 22,273</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 265,099	\$ 281,738	\$ 298,994	\$ 33,895
Landfill Operation and Maintenance	6,225	10,000	10,000	3,775
<u>Other Operations</u>				
Other Charges	4,972	4,000	5,000	28
Employee Benefits	0	13,000	12,000	12,000
<u>Principal on Debt</u>				
General Government	0	150,000	150,000	150,000
<u>Interest on Debt</u>				
General Government	0	4,700	0	0
Total Expenditures	<u>\$ 276,296</u>	<u>\$ 463,438</u>	<u>\$ 475,994</u>	<u>\$ 199,698</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 41,977</u>	<u>\$ (167,438)</u>	<u>\$ (179,994)</u>	<u>\$ 221,971</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 150,000	\$ 150,000	\$ (150,000)
Insurance Recovery	12,556	0	12,556	0
Total Other Financing Sources (Uses)	<u>\$ 12,556</u>	<u>\$ 150,000</u>	<u>\$ 162,556</u>	<u>\$ (150,000)</u>
Net Change in Fund Balance	\$ 54,533	\$ (17,438)	\$ (17,438)	\$ 71,971
Fund Balance, July 1, 2010	85,822	84,811	84,811	1,011
Fund Balance, June 30, 2011	<u>\$ 140,355</u>	<u>\$ 67,373</u>	<u>\$ 67,373</u>	<u>\$ 72,982</u>

Exhibit F-4

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 17,375	\$ 8,000	\$ 8,000	\$ 9,375
Total Revenues	\$ 17,375	\$ 8,000	\$ 8,000	\$ 9,375
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 17,789	\$ 29,503	\$ 29,504	\$ 11,715
Total Expenditures	\$ 17,789	\$ 29,503	\$ 29,504	\$ 11,715
Excess (Deficiency) of Revenues Over Expenditures	\$ (414)	\$ (21,503)	\$ (21,504)	\$ 21,090
Net Change in Fund Balance	\$ (414)	\$ (21,503)	\$ (21,504)	\$ 21,090
Fund Balance, July 1, 2010	21,503	29,503	29,503	(8,000)
Fund Balance, June 30, 2011	\$ 21,089	\$ 8,000	\$ 7,999	\$ 13,090

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 355,896	\$ 315,500	\$ 315,500	\$ 40,396
Charges for Current Services	2,726	400,000	0	2,726
Other Local Revenues	4	0	0	4
State of Tennessee	64,180	70,000	70,000	(5,820)
Federal Government	0	33,333	33,333	(33,333)
Other Governments and Citizens Groups	488,082	37,500	581,963	(93,881)
Total Revenues	<u>\$ 910,888</u>	<u>\$ 856,333</u>	<u>\$ 1,000,796</u>	<u>\$ (89,908)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 294,272	\$ 190,200	\$ 340,269	\$ 45,997
Education	383,181	522,000	512,737	129,556
<u>Interest on Debt</u>				
General Government	58,704	52,690	71,194	12,490
Education	79,528	530,350	520,573	441,045
<u>Other Debt Service</u>				
General Government	7,813	12,000	12,000	4,187
Total Expenditures	<u>\$ 823,498</u>	<u>\$ 1,307,240</u>	<u>\$ 1,456,773</u>	<u>\$ 633,275</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 87,390</u>	<u>\$ (450,907)</u>	<u>\$ (455,977)</u>	<u>\$ 543,367</u>
Net Change in Fund Balance	\$ 87,390	\$ (450,907)	\$ (455,977)	\$ 543,367
Fund Balance, July 1, 2010	1,677,990	1,385,754	1,385,754	292,236
Fund Balance, June 30, 2011	<u>\$ 1,765,380</u>	<u>\$ 934,847</u>	<u>\$ 929,777</u>	<u>\$ 835,603</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.

Exhibit H-1

Houston County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 219,675	\$ 219,675
Investments	0	569	569
Due from Other Governments	68,084	0	68,084
Total Assets	<u>\$ 68,084</u>	<u>\$ 220,244</u>	<u>\$ 288,328</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 68,084	\$ 0	\$ 68,084
Due to Litigants, Heirs, and Others	0	220,244	220,244
Total Liabilities	<u>\$ 68,084</u>	<u>\$ 220,244</u>	<u>\$ 288,328</u>

Exhibit H-2

Houston County, Tennessee

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

For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 416,428	\$ 416,428	\$ 0
Due from Other Governments	71,914	68,084	71,914	68,084
Total Assets	\$ 71,914	\$ 484,512	\$ 488,342	\$ 68,084
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 71,914	\$ 484,512	\$ 488,342	\$ 68,084
Total Liabilities	\$ 71,914	\$ 484,512	\$ 488,342	\$ 68,084
Constitutional Officers - Agency Fund				
<u>Assets</u>				
Cash	\$ 181,163	\$ 1,341,785	\$ 1,303,273	\$ 219,675
Investments	441	128	0	569
Total Assets	\$ 181,604	\$ 1,341,913	\$ 1,303,273	\$ 220,244
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 181,604	\$ 1,341,913	\$ 1,303,273	\$ 220,244
Total Liabilities	\$ 181,604	\$ 1,341,913	\$ 1,303,273	\$ 220,244
Totals - All Agency Funds				
<u>Assets</u>				
Cash	\$ 181,163	\$ 1,341,785	\$ 1,303,273	\$ 219,675
Equity in Pooled Cash and Investments	0	416,428	416,428	0
Investments	441	128	0	569
Due from Other Governments	71,914	68,084	71,914	68,084
Total Assets	\$ 253,518	\$ 1,826,425	\$ 1,791,615	\$ 288,328
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 71,914	\$ 484,512	\$ 488,342	\$ 68,084
Due to Litigants, Heirs, and Others	181,604	1,341,913	1,303,273	220,244
Total Liabilities	\$ 253,518	\$ 1,826,425	\$ 1,791,615	\$ 288,328

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, 2011

Functions/Programs	Program Revenues			Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:								
Instruction	\$ 6,769,510	\$ 5,509	\$ 1,789,886	\$ 0	\$ 0	\$ 0	\$ (4,974,115)	
Support Services	3,906,103	20,462	79,953	604,821	0	0	(3,200,867)	
Operation of Non-Instructional Services	1,187,024	299,667	723,964	0	0	0	(163,393)	
Other Debt Service	480,583	0	0	0	0	0	(480,583)	
Total Governmental Activities	\$ 12,343,220	\$ 325,638	\$ 2,593,803	\$ 604,821	\$ 604,821	\$ 604,821	\$ (8,818,958)	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes							\$ 660,481	
Local Option Sales Taxes							519,231	
Other Local Taxes							32,999	
Grants and Contributions Not Restricted to Specific Programs							8,043,929	
Unrestricted Investment Income							94,378	
Miscellaneous							30,632	
Total General Revenues							\$ 9,381,650	
Change in Net Assets							\$ 562,692	
Net Assets, July 1, 2010							13,256,988	
Net Assets, June 30, 2011							\$ 13,819,680	

Exhibit I-2

Houston County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Houston County School Department
June 30, 2011

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria Fund	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 4,370,609	\$ 16,772	\$ 187,771	\$ 4,575,152
Due from Other Governments	489,114	7,925	0	497,039
Property Taxes Receivable	716,062	0	0	716,062
Allowance for Uncollectible Property Taxes	(28,054)	0	0	(28,054)
Accrued Interest Receivable	45,781	0	2,410	48,191
Total Assets	<u>\$ 5,593,512</u>	<u>\$ 24,697</u>	<u>\$ 190,181</u>	<u>\$ 5,808,390</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 224,926	\$ 0	\$ 0	\$ 224,926
Payroll Deductions Payable	139,573	14,757	0	154,330
Contracts Payable	122,254	0	0	122,254
Deferred Revenue - Current Property Taxes	650,255	0	0	650,255
Deferred Revenue - Delinquent Property Taxes	34,738	0	0	34,738
Other Deferred Revenues	83,210	0	2,091	85,301
Total Liabilities	<u>\$ 1,254,956</u>	<u>\$ 14,757</u>	<u>\$ 2,091</u>	<u>\$ 1,271,804</u>
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 1,532	\$ 9,940	\$ 0	\$ 11,472
Restricted for Operation of Non-Instructional Services	0	0	188,090	188,090
Committed:				
Committed for Instruction	100,000	0	0	100,000
Committed for Capital Outlay	500,000	0	0	500,000
Assigned:				
Assigned for Education	175,507	0	0	175,507
Unassigned	3,561,517	0	0	3,561,517
Total Fund Balances	<u>\$ 4,338,556</u>	<u>\$ 9,940</u>	<u>\$ 188,090</u>	<u>\$ 4,536,586</u>
Total Liabilities and Fund Balances	<u>\$ 5,593,512</u>	<u>\$ 24,697</u>	<u>\$ 190,181</u>	<u>\$ 5,808,390</u>

Exhibit I-3

Houston County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Houston County School Department
June 30, 2011

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)		\$	4,536,586
(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		7,747,340	
Add: other capital assets net of accumulated depreciation		<u>1,233,727</u>	9,314,287
(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			(151,232)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>120,039</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,819,680</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, 2011

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 1,227,195	\$ 0	\$ 0	\$ 1,227,195
Licenses and Permits	599	0	0	599
Charges for Current Services	25,971	0	299,667	325,638
Other Local Revenues	119,253	0	4,755	124,008
State of Tennessee	8,997,596	0	730	8,998,326
Federal Government	85,062	1,235,593	423,320	1,743,975
Other Governments and Citizens Groups	500,000	0	0	500,000
Total Revenues	\$ 10,955,676	\$ 1,235,593	\$ 728,472	\$ 12,919,741
<u>Expenditures</u>				
Current:				
Instruction	\$ 5,223,916	\$ 1,186,426	\$ 0	\$ 6,410,342
Support Services	3,616,777	99,588	0	3,716,365
Operation of Non-Instructional Services	360,670	0	783,205	1,143,875
Capital Outlay	328,564	0	0	328,564
Debt Service:				
Other Debt Service	480,583	0	0	480,583
Total Expenditures	\$ 10,010,510	\$ 1,286,014	\$ 783,205	\$ 12,079,729
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 945,166	\$ (50,421)	\$ (54,733)	\$ 840,012
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 12,316	\$ 0	\$ 0	\$ 12,316
Total Other Financing Sources (Uses)	\$ 12,316	\$ 0	\$ 0	\$ 12,316
Net Change in Fund Balances				
Fund Balance, July 1, 2010	\$ 3,381,074	\$ 60,361	\$ 242,823	\$ 3,684,258
Fund Balance, June 30, 2011	\$ 4,338,556	\$ 9,940	\$ 188,090	\$ 4,536,586

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, 2011

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)		\$ 852,328
(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	\$ 293,257	
Less: current-year depreciation expense	<u>(472,946)</u>	(179,689)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(52,514)
(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, 2011	\$ 120,039	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(133,868)</u>	(13,829)
(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>(43,604)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 562,692</u>

Exhibit I-6

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,227,195	\$ 0	\$ 0	\$ 1,227,195	\$ 1,105,675	\$ 1,105,675	\$ 121,520
Licenses and Permits	599	0	0	599	400	400	199
Charges for Current Services	25,971	0	0	25,971	18,200	18,200	7,771
Other Local Revenues	119,253	0	0	119,253	167,134	167,134	(47,881)
State of Tennessee	8,997,596	0	0	8,997,596	8,868,220	8,887,325	110,271
Federal Government	85,062	0	0	85,062	500	85,592	(530)
Other Governments and Citizens Groups	500,000	0	0	500,000	0	500,000	0
Total Revenues	\$ 10,955,676	\$ 0	\$ 0	\$ 10,955,676	\$ 10,160,129	\$ 10,764,326	\$ 191,350
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,599,306	\$ 0	\$ 0	\$ 4,599,306	\$ 4,793,000	\$ 4,849,911	\$ 250,605
Special Education Program	344,897	0	0	344,897	393,500	393,500	48,603
Vocational Education Program	279,713	0	0	279,713	299,500	299,500	19,787
<u>Support Services</u>							
Attendance	31,947	0	0	31,947	33,500	33,500	1,553
Health Services	16,198	0	0	16,198	37,500	37,500	21,302
Other Student Support	260,222	0	1,285	261,507	177,000	302,000	40,493
Regular Instruction Program	547,324	0	0	547,324	622,000	622,000	74,676
Alternative Instruction Program	60,309	0	0	60,309	68,050	68,050	7,741
Special Education Program	119,614	0	0	119,614	127,700	127,700	8,086
Other Programs	18,048	0	0	18,048	0	18,048	0
Board of Education	263,522	0	0	263,522	288,650	288,650	25,128
Director of Schools	175,982	0	0	175,982	187,450	187,450	11,468

(Continued)

Exhibit I-6

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:		Add: 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2010	Encumbrances 6/30/2011			Original	Final	
<u>Expenditures (Cont.)</u>								
<u>Support Services (Cont.)</u>								
Office of the Principal	\$ 573,065	\$ 0	\$ 0	\$ 573,065	\$ 593,000	\$ 593,000	\$ 19,935	
Fiscal Services	105,883	0	0	105,883	120,600	130,600	24,717	
Operation of Plant	758,400	0	0	758,400	796,500	796,500	38,100	
Maintenance of Plant	193,626	0	0	193,626	221,100	221,100	27,474	
Transportation	492,637	(58,182)	154,222	588,677	598,500	623,500	34,823	
Central and Other	0	0	0	0	5,000	5,000	5,000	
<u>Operation of Non-Instructional Services</u>								
Food Service	30,138	0	0	30,138	30,300	30,300	162	
Community Services	33,152	0	0	33,152	33,300	34,357	1,205	
Early Childhood Education	297,380	(29,000)	20,000	288,380	310,314	310,314	21,934	
<u>Capital Outlay</u>								
Regular Capital Outlay	328,564	0	0	328,564	510,000	575,602	247,038	
Principal on Debt	0	0	0	0	400,000	0	0	
Education	480,583	0	0	480,583	0	480,583	0	
Other Debt Service	0	0	0	0	400,000	0	0	
Education	480,583	0	0	480,583	0	480,583	0	
Total Expenditures	\$ 10,010,510	\$ (87,182)	\$ 175,507	\$ 10,098,835	\$ 10,646,464	\$ 11,028,665	\$ 929,830	
Excess (Deficiency) of Revenues Over Expenditures	\$ 945,166	\$ 87,182	\$ (175,507)	\$ 856,841	\$ (486,335)	\$ (264,339)	\$ 1,121,180	
<u>Other Financing Sources (Uses)</u>								
Insurance Recovery	\$ 12,316	\$ 0	\$ 0	\$ 12,316	\$ 5,000	\$ 5,000	\$ 7,316	
Total Other Financing Sources (Uses)	\$ 12,316	\$ 0	\$ 0	\$ 12,316	\$ 5,000	\$ 5,000	\$ 7,316	
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ 957,482	\$ 87,182	\$ (175,507)	\$ 869,157	\$ (481,335)	\$ (259,339)	\$ 1,128,496	
Fund Balance, July 1, 2010	3,381,074	(87,182)	0	3,293,892	3,550,053	3,550,053	(256,161)	
Fund Balance, June 30, 2011	\$ 4,338,556	\$ 0	\$ (175,507)	\$ 4,163,049	\$ 3,068,718	\$ 3,290,714	\$ 872,335	

Exhibit I-7

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,235,593	\$ 1,400,669	\$ 1,339,717	\$ (104,124)
Total Revenues	\$ 1,235,593	\$ 1,400,669	\$ 1,339,717	\$ (104,124)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 655,829	\$ 864,614	\$ 1,172,573	\$ 516,744
Special Education Program	515,131	376,787	541,398	26,267
Vocational Education Program	15,466	13,422	15,466	0
<u>Support Services</u>				
Other Student Support	16,809	10,393	16,809	0
Regular Instruction Program	77,326	169,871	157,207	79,881
Special Education Program	5,156	2,000	5,156	0
Vocational Education Program	297	1,150	296	(1)
Total Expenditures	\$ 1,286,014	\$ 1,438,237	\$ 1,908,905	\$ 622,891
Excess (Deficiency) of Revenues Over Expenditures	\$ (50,421)	\$ (37,568)	\$ (569,188)	\$ 518,767
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 37,568	\$ 37,568	\$ (37,568)
Transfers Out	0	0	(37,568)	37,568
Total Other Financing Sources (Uses)	\$ 0	\$ 37,568	\$ 0	\$ 0
Net Change in Fund Balance	\$ (50,421)	\$ 0	\$ (569,188)	\$ 518,767
Fund Balance, July 1, 2010	60,361	60,362	569,188	(508,827)
Fund Balance, June 30, 2011	\$ 9,940	\$ 60,362	\$ 0	\$ 9,940

Exhibit I-8

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 299,667	\$ 361,500	\$ 361,500	\$ (61,833)
Other Local Revenues	4,755	11,000	11,000	(6,245)
State of Tennessee	730	1,500	1,500	(770)
Federal Government	423,320	422,000	464,680	(41,360)
Total Revenues	<u>\$ 728,472</u>	<u>\$ 796,000</u>	<u>\$ 838,680</u>	<u>\$ (110,208)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 783,205	\$ 796,000	\$ 838,680	\$ 55,475
Total Expenditures	<u>\$ 783,205</u>	<u>\$ 796,000</u>	<u>\$ 838,680</u>	<u>\$ 55,475</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (54,733)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (54,733)</u>
Net Change in Fund Balance	\$ (54,733)	\$ 0	\$ 0	\$ (54,733)
Fund Balance, July 1, 2010	242,823	242,743	242,743	80
Fund Balance, June 30, 2011	<u>\$ 188,090</u>	<u>\$ 242,743</u>	<u>\$ 242,743</u>	<u>\$ (54,653)</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, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Roofing of County Buildings	\$ 20,000	3.89 %	4-14-05	4-14-11	\$ 3,334	\$ 0	\$ 3,334	0
E-911 Communications Tower and Equipment	221,000	3.99	8-17-05	9-29-17	147,333	0	18,416	128,917
Solid Waste Equipment and Construction (Extension)	100,000	3.89	12-5-05	12-5-10	20,000	0	20,000	0
Fire Station Buildings and Equipment	110,000	3.69	4-11-07	4-11-19	82,500	0	9,167	73,333
Convenience Center Front End Loader (Extension)	82,716	3.69	6-27-07	6-10-16	55,145	0	9,191	45,954
Health Department Addition (Extension)	45,000	3.69	6-27-07	6-10-16	30,000	0	5,000	25,000
Patrol Vehicles and Equipment	71,244	4.64	12-12-07	12-12-11	35,622	0	17,811	17,811
Library Equipment	10,000	3.99	12-9-08	10-9-12	7,500	0	2,500	5,000
Library Renovation	75,000	3.29	4-8-09	4-8-19	67,500	0	7,500	60,000
Ambulance and Equipment	107,027	3.99	12-11-08	12-11-15	91,737	0	15,290	76,447
Airport Maintenance	70,000	3.39	7-9-09	7-9-19	70,000	0	7,000	63,000
Fire Department Equipment and Supplies	100,000	3.39	7-28-09	7-28-15	100,000	0	16,667	83,333
Highway Department Trucks and Supplies	77,877	3.296	12-3-10	12-3-13	0	77,877	0	77,877
School Repair	500,000	3.31	12-20-10	12-1-13	0	500,000	73,181	426,819
Ambulance	92,879	3.89	12-17-10	12-17-13	0	92,879	0	92,879
Fire Engine and Equipment	150,000	3.49	6-14-11	6-14-14	0	150,000	0	150,000
Total Notes Payable					\$ 710,671	\$ 820,756	\$ 205,057	\$ 1,326,370

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	\$ 1,321,000	\$ 0	\$ 67,000	\$ 1,254,000
School Construction	10,000,000	variable	1-31-00	5-25-27	7,999,000	0	310,000	7,689,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	785,000	0	33,000	752,000
Jail Construction and Courthouse Renovations	646,200	(1) variable	4-26-02	5-25-27	427,200	0	38,000	389,200
Total Other Loans Payable					\$ 10,532,200	\$ 0	\$ 448,000	\$ 10,084,200

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	\$ 120,000	\$ 0	\$ 16,000	\$ 104,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	79,186	0	8,396	70,790
Total Bonds Payable					\$ 199,186	\$ 0	\$ 24,396	\$ 174,790

(1) Total amount approved was \$1,200,000, of which \$553,800 remained available for draws as of June 30, 2011.

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 220,767	\$ 46,354	\$ 267,121
2013	203,494	38,130	241,624
2014	610,819	26,605	637,424
2015	88,231	10,685	98,916
2016	88,229	7,429	95,658
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	\$ 1,326,370	\$ 137,291	\$ 1,463,661

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 471,000	\$ 22,185	\$ 51,433	\$ 544,618
2013	494,000	21,149	49,078	564,227
2014	518,000	20,062	46,608	584,670
2015	544,000	18,923	44,018	606,941
2016	571,000	17,726	41,298	630,024
2017	600,000	16,470	38,443	654,913
2018	631,000	15,150	35,443	681,593
2019	662,000	13,761	32,288	708,049
2020	645,200	12,305	28,978	686,483
2021	668,000	10,886	25,641	704,527
2022	701,000	9,416	22,301	732,717
2023	737,000	7,874	18,796	763,670
2024	774,000	6,252	15,111	795,363
2025	679,000	4,550	11,073	694,623
2026	713,000	3,056	7,678	723,734
2027	676,000	1,486	3,978	681,464
Total	\$ 10,084,200	\$ 201,251	\$ 472,165	\$ 10,757,616

(Continued)

Exhibit J-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	11,535	533	12,068
Total	\$ 174,790	\$ 30,087	\$ 204,877

Exhibit J-3

Houston County, Tennessee
Schedule of Investments
June 30, 2011

<u>Fund and Type</u>	<u>Amount</u>
<u>Constitutional Officers - Agency Fund</u>	
<u>Circuit Court Clerk</u>	
AIM Aggressive Growth Fund	\$ 569
Total Investments	<u>\$ 569</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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 63,677	\$ 25,000	Auto Owners Insurance Company
Road Superintendent	Section 8-24-102, TCA	59,201	100,000	"
Director of Schools	State Board of Education and County Board of Education	86,000 (1)	100,000	Western Surety Company
Trustee	Section 8-24-102, TCA	55,131	448,500	Auto Owners Insurance Company
Assessor of Property	Section 8-24-102, TCA	55,131	25,000	"
County Clerk	Section 8-24-102, TCA	55,131	25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	55,131	50,000	"
Clerk and Master	Section 8-24-102, TCA	55,131	50,000	"
Register	Section 8-24-102, TCA	55,131	25,000	"
Sheriff:				
Kenneth Barnes (7-1-10 through 8-31-10)	Section 8-24-102, TCA	11,323 (2)	25,000	"
Darrell Allison (9-1-10 through 6-30-11)	Section 8-24-102, TCA	48,983 (2)	25,000	"
Employee Blanket Bonds:				
County Mayor and Road Superintendent:				
All Employees			150,000	Local Government Property and Casualty Fund
Director of Schools:				
All Employees			150,000	Tennessee Risk Management Trust

(1) Includes a chief executive officer training supplement of \$1,000.

(2) Does not include a law enforcement training supplement of \$600.

Houston County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2011

	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	\$ 1,812,024	\$ 210,431	\$ 0	\$ 0	\$ 11,690
Discount on Property Taxes	(14,794)	(1,719)	0	0	(93)
Trustee's Collections - Prior Year	86,146	5,384	0	0	538
Trustee's Collections - Bankruptcy	2,594	190	0	0	16
Circuit/Clerk & Master Collections - Prior Years	32,012	3,567	0	0	206
Interest and Penalty	16,698	1,248	0	0	105
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	14
Payments in-Lieu-of Taxes - Local Utilities	26,819	3,114	0	0	177
<u>County Local Option Taxes</u>					
Local Option Sales Tax	108,483	0	0	0	0
Hotel/Motel Tax	11,595	0	0	0	0
Wheel Tax	0	0	0	0	0
Litigation Tax - General	16,887	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Business Tax	0	2,725	0	0	156
<u>Statutory Local Taxes</u>					
Bank Excise Tax	7,739	0	0	0	0
Wholesale Beer Tax	35,763	0	0	0	0
Interstate Telecommunications Tax	368	0	0	0	0
Total Local Taxes	\$ 2,142,334	\$ 224,940	\$ 0	\$ 0	\$ 12,809
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 3,429	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 3,429	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 5,109	\$ 0	\$ 9,548	\$ 0	\$ 0
Officers Costs	3,229	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	98 \$	0 \$	5,982 \$	0 \$	0
Jail Fees	622	0	0	0	0
Data Entry Fee - Circuit Court	169	0	0	0	0
<u>General Sessions Court</u>					
Fines	5,929	0	0	0	0
Officers Costs	10,486	0	0	0	0
Game and Fish Fines	142	0	0	0	0
Drug Control Fines	0	0	1,845	0	0
Jail Fees	2,174	0	0	0	0
DUI Treatment Fines	1,853	0	0	0	0
Data Entry Fee - General Sessions Court	1,016	0	0	0	0
Courtroom Security Fee	2	0	0	0	0
<u>Juvenile Court</u>					
Fines	469	0	0	0	0
Officers Costs	478	0	0	0	0
Data Entry Fee - Juvenile Court	103	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	1,714	0	0	0	0
Data Entry Fee - Chancery Court	1,372	0	0	0	0
Courtroom Security Fee	423	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 35,388 \$	0 \$	17,375 \$	0 \$	0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	516,369 \$	0 \$	0 \$	0 \$	0
Work Release Charges for Board	280	0	0	0	0
Other General Service Charges	40,302	0	0	0	0
<u>Fees</u>					
Airport Fees	3,300	0	0	0	0
Copy Fees	1	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>					
Archives and Records Management Fee - County Clerk		0 \$	0 \$	0 \$	0
Telephone Commissions	5,320 \$	0	0	0	0
Constitutional Officers' Fees and Commissions	9,080	0	0	54,772	0
Data Processing Fee - Register	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	2,350	0	0	0	0
Data Processing Fee - County Clerk	1,600	0	0	0	0
Total Charges for Current Services	418	0	0	0	0
	\$ 579,020	\$ 0	\$ 0	\$ 54,772	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Lease/Rentals	35,095 \$	0 \$	0 \$	0 \$	0
Sale of Materials and Supplies	786	0	0	0	0
Commissary Sales	2,191	0	0	0	0
Sale of Gasoline	0	0	0	0	26,597
Sale of Recycled Materials	0	5,186	0	0	0
Miscellaneous Refunds	19,983	491	0	0	4,649
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	4,011	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	12,713	0	0	0	0
Total Other Local Revenues	\$ 74,779	\$ 5,677	\$ 0	\$ 0	\$ 31,246
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	22,000 \$	0 \$	0 \$	0 \$	0
Trustee	112,198	0	0	0	0
Other Officials	2,862	0	0	0	0
<u>Fees in-Lieu-of Salary</u>					
Circuit Court Clerk	19,556	0	0	0	0
General Sessions Court Clerk	34,153	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>					
Clerk and Master	\$ 37,408	\$ 0	\$ 0	\$ 0	\$ 0
Juvenile Court Clerk	2,335	0	0	0	0
Register	26,669	0	0	0	0
Sheriff	2,896	0	0	0	0
Total Fees Received from County Officials	\$ 260,077	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 81,056	\$ 0	\$ 0	\$ 0	\$ 0
Other General Government Grants	46,991	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	6,600	0	0	0	0
Safe and Drug - Free Schools and Communities	12,000	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	173,884
Litter Program	24,165	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	0	618	0	0	103
Resort District Sales Tax	79,166	0	0	0	0
Beer Tax	18,724	0	0	0	0
Alcoholic Beverage Tax	0	18,039	0	0	0
State Revenue Sharing - T.V.A.	0	34,655	0	0	5,109
Contracted Prisoner Boarding	52,510	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,270,540
Petroleum Special Tax	0	0	0	0	6,495
Registrar's Salary Supplement	19,259	0	0	0	0
Other State Grants	1,585	0	0	0	0
Other State Revenues	11,480	0	0	0	0
Total State of Tennessee	\$ 353,536	\$ 53,312	\$ 0	\$ 0	\$ 1,456,131

(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
Disaster Relief	24,202	34,344	0	0	908,044
Law Enforcement Grants	20,248	0	0	0	0
Other Federal through State	191,744	0	0	0	0
<u>Direct Federal Revenue</u>					
ARRA Grant # 6	0	0	0	0	273,713
Total Federal Government	\$ 236,194 \$	\$ 34,344 \$	\$ 0 \$	\$ 0 \$	\$ 1,181,757
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	78,000 \$	0 \$	0 \$	0 \$	0
Contracted Services	24,603	0	0	0	0
<u>Citizens Groups</u>					
Donations	0	0	0	0	5,000
Total Other Governments and Citizens Groups	\$ 102,603 \$	\$ 0 \$	\$ 0 \$	\$ 0 \$	\$ 5,000
Total	\$ 3,787,360 \$	\$ 318,273 \$	\$ 17,375 \$	\$ 54,772 \$	\$ 2,686,943

(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	Capital Projects	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 23,383	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,057,528	
Discount on Property Taxes	(194)	0	0	0	0	(16,800)	
Trustee's Collections - Prior Year	2,692	0	0	0	0	94,760	
Trustee's Collections - Bankruptcy	99	0	0	0	0	2,899	
Circuit/Clerk & Master Collections - Prior Years	464	0	0	0	0	36,249	
Interest and Penalty	453	0	0	0	0	18,504	
Payments in-Lieu-of Taxes - T.V.A.	82	0	0	0	0	96	
Payments in-Lieu-of Taxes - Local Utilities	346	0	0	0	0	30,456	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	0	0	0	0	108,483	
Hotel/Motel Tax	0	0	0	0	0	11,595	
Wheel Tax	321,898	0	0	0	0	321,898	
Litigation Tax - General	0	0	0	0	0	16,887	
Litigation Tax - Jail, Workhouse, or Courthouse	6,331	0	0	0	0	6,331	
Business Tax	342	0	0	0	0	3,223	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	0	0	0	0	0	7,739	
Wholesale Beer Tax	0	0	0	0	0	35,763	
Interstate Telecommunications Tax	0	0	0	0	0	368	
Total Local Taxes	\$ 355,896	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,735,979	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	0	0	0	0	0	3,429	
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,429	
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	0	0	0	0	0	14,657	
Officers Costs	0	0	0	0	0	3,229	

(Continued)

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	General	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 \$	6,080
Jail Fees		0	0	0	0	622
Data Entry Fee - Circuit Court		0	0	0	0	169
<u>General Sessions Court</u>						
Fines		0	0	0	0	5,929
Officers Costs		0	0	0	0	10,486
Game and Fish Fines		0	0	0	0	142
Drug Control Fines		0	0	0	0	1,845
Jail Fees		0	0	0	0	2,174
DUI Treatment Fines		0	0	0	0	1,853
Data Entry Fee - General Sessions Court		0	0	0	0	1,016
Courtroom Security Fee		0	0	0	0	2
<u>Juvenile Court</u>						
Fines		0	0	0	0	469
Officers Costs		0	0	0	0	478
Data Entry Fee - Juvenile Court		0	0	0	0	103
<u>Chancery Court</u>						
Officers Costs		0	0	0	0	1,714
Data Entry Fee - Chancery Court		0	0	0	0	1,372
Courtroom Security Fee		0	0	0	0	423
Total Fines, Forfeitures, and Penalties	\$	0 \$	0 \$	0 \$	0 \$	52,763
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$	0 \$	0 \$	0 \$	0 \$	516,369
Work Release Charges for Board		0	0	0	0	280
Other General Service Charges		2,726	0	0	0	43,028
<u>Fees</u>						
Airport Fees		0	0	0	0	3,300
Copy Fees		0	0	0	0	1

(Continued)

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

	Debt Service Fund		Capital Projects Funds				Total
	General Debt Service	0 \$	General Capital Projects	HUD Grant Projects	Other Capital Projects	0 \$	
			0 \$	0 \$	0 \$		
<u>Charges for Current Services (Cont.)</u>							
<u>Fees (Cont.)</u>							
Archives and Records Management Fee - County Clerk		0 \$	0 \$	0 \$	0 \$	0 \$	5,320
Telephone Commissions		0	0	0	0	0	9,080
Constitutional Officers' Fees and Commissions		0	0	0	0	0	54,772
Data Processing Fee - Register		0	0	0	0	0	2,350
Sexual Offender Registration Fees - Sheriff		0	0	0	0	0	1,600
Data Processing Fee - County Clerk		0	0	0	0	0	418
Total Charges for Current Services		2,726 \$	0 \$	0 \$	0 \$	0 \$	636,518
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Lease/Rentals		0 \$	0 \$	0 \$	0 \$	0 \$	35,095
Sale of Materials and Supplies		0	0	0	0	0	786
Commissary Sales		0	0	0	0	0	2,191
Sale of Gasoline		0	0	0	0	0	26,597
Sale of Recycled Materials		0	0	0	0	0	5,186
Miscellaneous Refunds		4	0	0	0	74	25,201
Nonrecurring Items							
Damages Recovered from Individuals		0	0	0	0	0	4,011
<u>Other Local Revenues</u>							
Other Local Revenues		0	0	0	0	0	12,713
Total Other Local Revenues		4 \$	0 \$	0 \$	0 \$	74 \$	111,780
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk		0 \$	0 \$	0 \$	0 \$	0 \$	22,000
Trustee		0	0	0	0	0	112,198
Other Officials		0	0	0	0	0	2,862
<u>Fees in-Lieu-of Salary</u>							
Circuit Court Clerk		0	0	0	0	0	19,556
General Sessions Court Clerk		0	0	0	0	0	34,153

(Continued)

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	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>						
Clerk and Master	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,408
Juvenile Court Clerk	0	0	0	0	0	2,335
Register	0	0	0	0	0	26,669
Sheriff	0	0	0	0	0	2,896
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 260,077
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,056
Other General Government Grants	0	0	0	0	0	46,991
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	6,600
Safe and Drug - Free Schools and Communities	0	0	0	0	0	12,000
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	173,884
Litter Program	0	0	0	0	0	24,165
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	721
Resort District Sales Tax	0	0	0	0	0	79,166
Beer Tax	0	0	0	0	0	18,724
Alcoholic Beverage Tax	0	0	0	0	0	18,039
State Revenue Sharing - T.V.A.	0	0	0	0	0	39,764
Contracted Prisoner Boarding	64,180	0	0	0	0	116,690
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,270,540
Petroleum Special Tax	0	0	0	0	0	6,495
Registrar's Salary Supplement	0	0	0	0	0	19,259
Other State Grants	0	130,459	0	0	0	132,044
Other State Revenues	0	0	0	0	0	11,480
Total State of Tennessee	\$ 64,180	\$ 130,459	\$ 0	\$ 0	\$ 0	\$ 2,057,618

(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>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 148,540	\$ 148,540	
Disaster Relief	0	0	0	0	0	966,590	
Law Enforcement Grants	0	0	0	0	0	20,248	
Other Federal through State	0	0	0	49,869	0	241,613	
Direct Federal Revenue							
ARRA Grant # 6	0	0	0	0	0	273,713	
<u>Total Federal Government</u>	\$ 0	\$ 0	\$ 0	\$ 49,869	\$ 148,540	\$ 1,650,704	
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 480,582	\$ 0	\$ 0	\$ 0	\$ 16,826	\$ 575,408	
Contracted Services	7,500	0	0	0	0	32,103	
<u>Citizens Groups</u>							
Donations	0	0	0	0	0	5,000	
<u>Total Other Governments and Citizens Groups</u>	\$ 488,082	\$ 0	\$ 0	\$ 0	\$ 16,826	\$ 612,511	
<u>Total</u>	\$ 910,888	\$ 130,459	\$ 49,869	\$ 165,440	\$ 8,121,379		

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 619,596	\$ 0	\$ 0	\$ 619,596
Discount on Property Taxes	(5,057)	0	0	(5,057)
Trustee's Collections - Prior Year	28,536	0	0	28,536
Trustee's Collections - Bankruptcy	873	0	0	873
Circuit/Clerk & Master Collections - Prior Years	10,916	0	0	10,916
Interest and Penalty	5,571	0	0	5,571
Payments in-Lieu-of Taxes - T.V.A.	950	0	0	950
Payments in-Lieu-of Taxes - Local Utilities	9,166	0	0	9,166
<u>County Local Option Taxes</u>				
Local Option Sales Tax	523,605	0	0	523,605
Business Tax	32,474	0	0	32,474
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	565	0	0	565
Total Local Taxes	\$ 1,227,195	\$ 0	\$ 0	\$ 1,227,195
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 599	\$ 0	\$ 0	\$ 599
Total Licenses and Permits	\$ 599	\$ 0	\$ 0	\$ 599
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 5,359	\$ 0	\$ 0	\$ 5,359
Tuition - Summer School	150	0	0	150
Lunch Payments - Children	0	0	127,735	127,735
Lunch Payments - Adults	0	0	23,449	23,449
Income from Breakfast	0	0	15,922	15,922
A la carte Sales	0	0	132,561	132,561
Receipts from Individual Schools	20,462	0	0	20,462
Total Charges for Current Services	\$ 25,971	\$ 0	\$ 299,667	\$ 325,638
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 88,707	\$ 0	\$ 4,669	\$ 93,376
Miscellaneous Refunds	30,492	0	86	30,578
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	54	0	0	54
Total Other Local Revenues	\$ 119,253	\$ 0	\$ 4,755	\$ 124,008
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 18,048	\$ 0	\$ 0	\$ 18,048
<u>State Education Funds</u>				
Basic Education Program	7,213,304	0	0	7,213,304
Basic Education Program - ARRA	888,696	0	0	888,696
Early Childhood Education	288,377	0	0	288,377
School Food Service	6,571	0	730	7,301
Energy Efficient School Initiative	31,670	0	0	31,670

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Other State Education Funds	\$ 2,492	\$ 0	\$ 0	\$ 2,492
Coordinated School Health - ARRA	78,645	0	0	78,645
Internet Connectivity - ARRA	4,395	0	0	4,395
Family Resource Centers - ARRA	33,153	0	0	33,153
Statewide Student Management System (SSMS) - ARRA	3,734	0	0	3,734
Career Ladder Program	55,773	0	0	55,773
Career Ladder - Extended Contract - ARRA	1,167	0	0	1,167
<u>Other State Revenues</u>				
Income Tax	7,136	0	0	7,136
State Revenue Sharing - T.V.A.	354,235	0	0	354,235
Safe Schools - ARRA	10,100	0	0	10,100
Other State Revenues	100	0	0	100
Total State of Tennessee	\$ 8,997,596	\$ 0	\$ 730	\$ 8,998,326
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 274,022	\$ 274,022
USDA - Commodities	0	0	42,680	42,680
Breakfast	0	0	106,618	106,618
Vocational Education - Basic Grants to States	0	24,965	0	24,965
Title I Grants to Local Education Agencies	0	458,539	0	458,539
Special Education - Grants to States	0	452,702	0	452,702
Special Education Preschool Grants	0	15,954	0	15,954
Rural Education	0	19,654	0	19,654
Eisenhower Professional Development State Grants	0	58,167	0	58,167
Disaster Relief	73,151	0	0	73,151
Race to the Top - ARRA	0	72,506	0	72,506
Other Federal through State	11,911	133,106	0	145,017
Total Federal Government	\$ 85,062	\$ 1,235,593	\$ 423,320	\$ 1,743,975
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 500,000	\$ 0	\$ 0	\$ 500,000
Total Other Governments and Citizens Groups	\$ 500,000	\$ 0	\$ 0	\$ 500,000
Total	\$ 10,955,676	\$ 1,235,593	\$ 728,472	\$ 12,919,741

Exhibit J-7

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 27,790	
Social Security	1,723	
Unemployment Compensation	19	
Employer Medicare	403	
Audit Services	2,426	
Dues and Memberships	2,243	
Legal Services	1,462	
Legal Notices, Recording, and Court Costs	2,989	
Travel	597	
Total County Commission		\$ 39,652

Board of Equalization

Board and Committee Members Fees	\$ 960	
Social Security	60	
Employer Medicare	14	
Total Board of Equalization		1,034

Budget and Finance Committee

Other Salaries and Wages	\$ 1,023	
Board and Committee Members Fees	3,000	
Social Security	249	
Employer Medicare	58	
Total Budget and Finance Committee		4,330

Other Boards and Committees

Part-time Personnel	\$ 3,262	
Social Security	202	
Unemployment Compensation	49	
Employer Medicare	47	
Instructional Supplies and Materials	2,253	
Other Supplies and Materials	5,000	
Total Other Boards and Committees		10,813

County Mayor/Executive

County Official/Administrative Officer	\$ 63,677	
Accountants/Bookkeepers	22,953	
Clerical Personnel	20,254	
In-Service Training	540	
Social Security	6,622	
Unemployment Compensation	160	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Employer Medicare	\$	1,549	
Communication		2,954	
Data Processing Services		7,801	
Dues and Memberships		1,100	
Legal Notices, Recording, and Court Costs		359	
Travel		3,737	
Office Supplies		4,120	
Premiums on Corporate Surety Bonds		248	
Other Charges		250	
Data Processing Equipment		688	
Total County Mayor/Executive			\$ 137,012

County Attorney

County Official/Administrative Officer	\$	18,102	
Dues and Memberships		250	
Instructional Supplies and Materials		200	
Total County Attorney			18,552

Election Commission

County Official/Administrative Officer	\$	49,618	
Clerical Personnel		15,477	
Election Commission		2,600	
Election Workers		23,125	
Social Security		4,428	
Unemployment Compensation		318	
Employer Medicare		1,036	
Communication		1,610	
Data Processing Services		2,900	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		2,978	
Maintenance and Repair Services - Office Equipment		1,850	
Travel		2,226	
Data Processing Supplies		6,848	
Other Supplies and Materials		3,068	
Data Processing Equipment		170	
Voting Machines		940	
Total Election Commission			119,367

Register of Deeds

County Official/Administrative Officer	\$	55,131	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Deputy(ies)	\$	15,657	
Social Security		4,389	
Unemployment Compensation		193	
Employer Medicare		1,026	
Communication		1,002	
Data Processing Services		1,500	
Dues and Memberships		422	
Travel		23	
Office Supplies		2,102	
Premiums on Corporate Surety Bonds		248	
Data Processing Equipment		2,561	
Office Equipment		349	
Total Register of Deeds			\$ 84,603

Planning

Data Processing Personnel	\$	1,062	
Social Security		66	
Unemployment Compensation		15	
Employer Medicare		15	
Total Planning			1,158

Building

Maintenance and Repair Services - Buildings	\$	239	
Building Construction		1,500	
Total Building			1,739

Geographical Information Systems

Supervisor/Director	\$	27,900	
Accountants/Bookkeepers		2,700	
Other Salaries and Wages		3,527	
In-Service Training		998	
Social Security		157	
Employer Medicare		37	
Communication		1,855	
Consultants		3,520	
Travel		5,304	
Other Contracted Services		9,337	
Instructional Supplies and Materials		2,621	
Total Geographical Information Systems			57,956

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$ 19,374	
Social Security	1,214	
Unemployment Compensation	142	
Employer Medicare	284	
Maintenance Agreements	2,513	
Maintenance and Repair Services - Buildings	5,811	
Custodial Supplies	3,914	
Electricity	17,595	
Natural Gas	2,584	
Water and Sewer	3,456	
Building and Contents Insurance	8,000	
Other Construction	6,960	
Total County Buildings		\$ 71,847

Other General Administration

Postal Charges	\$ 13,000	
Rentals	4,027	
Data Processing Supplies	2,666	
Total Other General Administration		19,693

Finance

Central Services

Other Salaries and Wages	\$ 11,495	
Social Security	705	
Unemployment Compensation	103	
Employer Medicare	165	
Total Central Services		12,468

Property Assessor's Office

County Official/Administrative Officer	\$ 55,131	
Secretary(ies)	14,354	
Social Security	4,308	
Unemployment Compensation	72	
Employer Medicare	1,008	
Communication	963	
Contracts with Private Agencies	1,805	
Data Processing Services	1,800	
Dues and Memberships	786	
Legal Notices, Recording, and Court Costs	67	
Maintenance and Repair Services - Vehicles	428	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Travel	\$	247	
Gasoline		467	
Office Supplies		836	
Other Charges		384	
Total Property Assessor's Office			\$ 82,656

Reappraisal Program

Laborers	\$	4,322	
Clerical Personnel		1,113	
Social Security		337	
Unemployment Compensation		81	
Employer Medicare		79	
Data Processing Services		1,068	
Total Reappraisal Program			7,000

County Trustee's Office

County Official/Administrative Officer	\$	55,131	
Clerical Personnel		19,537	
Other Salaries and Wages		2,731	
Social Security		4,799	
Unemployment Compensation		168	
Employer Medicare		1,122	
Communication		924	
Data Processing Services		7,175	
Dues and Memberships		437	
Legal Notices, Recording, and Court Costs		292	
Maintenance and Repair Services - Office Equipment		40	
Travel		751	
Other Contracted Services		3,509	
Office Supplies		1,494	
Premiums on Corporate Surety Bonds		2,829	
Data Processing Equipment		3,544	
Office Equipment		312	
Total County Trustee's Office			104,795

County Clerk's Office

Deputy(ies)	\$	18,123	
Secretary(ies)		30,007	
Clerical Personnel		4,908	
Other Salaries and Wages		6,508	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Social Security	\$	7,116	
Unemployment Compensation		383	
Employer Medicare		1,663	
Communication		2,358	
Maintenance and Repair Services - Equipment		211	
Office Supplies		4,272	
Other Supplies and Materials		809	
Premiums on Corporate Surety Bonds		248	
Office Equipment		1,405	
Total County Clerk's Office			\$ 78,011

Data Processing

Communication Equipment	\$	2,800	
Total Data Processing			2,800

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	55,131	
Deputy(ies)		18,296	
Clerical Personnel		14,559	
Other Salaries and Wages		3,800	
Jury and Witness Expense		6,416	
Social Security		5,691	
Unemployment Compensation		254	
Employer Medicare		1,331	
Communication		1,518	
Dues and Memberships		327	
Legal Notices, Recording, and Court Costs		588	
Maintenance and Repair Services - Office Equipment		423	
Travel		228	
Office Supplies		5,160	
Premiums on Corporate Surety Bonds		496	
Data Processing Equipment		4,869	
Total Circuit Court			119,087

General Sessions Judge

Judge(s)	\$	46,084	
Salary Supplements		4,025	
Social Security		3,107	
Employer Medicare		636	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Communication	\$ 580	
Dues and Memberships	50	
Travel	840	
Total General Sessions Judge		\$ 55,322

Chancery Court

County Official/Administrative Officer	\$ 55,131	
Deputy(ies)	16,955	
Social Security	4,469	
Unemployment Compensation	136	
Employer Medicare	1,045	
Communication	1,180	
Dues and Memberships	387	
Legal Notices, Recording, and Court Costs	30	
Maintenance and Repair Services - Office Equipment	200	
Travel	293	
Office Supplies	2,215	
Data Processing Equipment	4,771	
Total Chancery Court		86,812

Juvenile Court

Judge(s)	\$ 12,087	
Social Workers	27,108	
Guards	100	
Social Security	2,430	
Unemployment Compensation	115	
Employer Medicare	568	
Communication	970	
Contracts with Private Agencies	1,897	
Travel	229	
Other Supplies and Materials	44	
Specialized Medical Treatment	400	
Total Juvenile Court		45,948

District Attorney General

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

Judicial Commissioners

Clerical Personnel	\$ 12,500	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

Social Security	\$	775	
Unemployment Compensation		119	
Employer Medicare		181	
Total Judicial Commissioners			\$ 13,575

Other Administration of Justice

Guards	\$	1,464	
Social Security		91	
Unemployment Compensation		19	
Employer Medicare		21	
Total Other Administration of Justice			1,595

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	60,306	
Deputy(ies)		246,163	
Detective(s)		6,560	
Salary Supplements		7,200	
Secretary(ies)		16,784	
In-Service Training		7,375	
Social Security		20,895	
Unemployment Compensation		1,863	
Employer Medicare		4,887	
Communication		4,829	
Maintenance and Repair Services - Equipment		2,363	
Maintenance and Repair Services - Office Equipment		1,124	
Maintenance and Repair Services - Vehicles		21,182	
Postal Charges		437	
Travel		2,937	
Gasoline		34,805	
Law Enforcement Supplies		2,494	
Office Supplies		2,332	
Tires and Tubes		5,123	
Uniforms		4,000	
Other Supplies and Materials		385	
Premiums on Corporate Surety Bonds		406	
Vehicle and Equipment Insurance		4,500	
Data Processing Equipment		5,483	
Law Enforcement Equipment		2,321	
Total Sheriff's Department			466,754

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Special Patrols

Deputy(ies)	\$	902	
Social Security		56	
Unemployment Compensation		5	
Employer Medicare		13	
Instructional Supplies and Materials		1,829	
Law Enforcement Equipment		2,800	
Total Special Patrols			\$ 5,605

Drug Enforcement

Evaluation and Testing	\$	2,910	
Total Drug Enforcement			2,910

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$	150	
Total Administration of the Sexual Offender Registry			150

Jail

Guards	\$	202,201	
Secretary(ies)		19,462	
Cafeteria Personnel		25,106	
Social Security		15,300	
Unemployment Compensation		2,323	
Employer Medicare		3,578	
Communication		3,151	
Maintenance and Repair Services - Buildings		26,075	
Maintenance and Repair Services - Office Equipment		82	
Medical and Dental Services		44,475	
Pest Control		50	
Postal Charges		328	
Travel		155	
Custodial Supplies		4,457	
Electricity		29,274	
Food Supplies		37,593	
Gasoline		12,667	
Law Enforcement Supplies		2,475	
Office Supplies		1,239	
Uniforms		1,310	
Utilities		20,589	
Other Supplies and Materials		3,884	
Law Enforcement Equipment		995	
Total Jail			456,769

(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

Supervisor/Director	\$ 28,840	
In-Service Training	450	
Social Security	1,788	
Unemployment Compensation	125	
Employer Medicare	418	
Communication	539	
Dues and Memberships	396	
Travel	1,410	
Electricity	1,299	
Equipment and Machinery Parts	10,000	
Gasoline	10,238	
Natural Gas	2,273	
Office Supplies	740	
Water and Sewer	507	
Building and Contents Insurance	1,300	
Other Charges	1,000	
Building Construction	305	
Maintenance Equipment	16,554	
Total Fire Prevention and Control		\$ 78,182

Rural Fire Protection

Other Equipment	\$ 7,633	
Total Rural Fire Protection		7,633

Other Emergency Management

Supervisor/Director	\$ 23,448
Salary Supplements	5,593
Dispatchers/Radio Operators	86,279
In-Service Training	1,502
Social Security	7,238
Unemployment Compensation	818
Employer Medicare	1,693
Communication	2,232
Contracts with Private Agencies	8,000
Maintenance and Repair Services - Buildings	407
Maintenance and Repair Services - Office Equipment	1,235
Pest Control	120
Postal Charges	132
Travel	1,174
Custodial Supplies	1,783

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Electricity	\$ 3,884	
Natural Gas	551	
Office Supplies	2,616	
Water and Sewer	189	
Total Other Emergency Management		\$ 148,894

County Coroner/Medical Examiner

Medical Personnel	\$ 10,870	
Premiums on Corporate Surety Bonds	70	
Total County Coroner/Medical Examiner		10,940

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 5,500	
Communication	2,193	
Contracts with Government Agencies	16,410	
Custodial Supplies	225	
Drugs and Medical Supplies	4	
Electricity	6,128	
Office Supplies	2,330	
Water and Sewer	1,660	
Other Supplies and Materials	523	
Building and Contents Insurance	537	
Other Charges	105	
Office Equipment	61	
Total Local Health Center		35,676

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 35,616	
Accountants/Bookkeepers	23,291	
Medical Personnel	242,746	
Paraprofessionals	179,357	
In-Service Training	2,050	
Social Security	29,823	
Unemployment Compensation	2,551	
Employer Medicare	6,975	
Communication	3,995	
Contracts with Private Agencies	2,235	
Operating Lease Payments	9,275	
Licenses	1,518	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Maintenance and Repair Services - Buildings	\$	262	
Maintenance and Repair Services - Office Equipment		1,103	
Maintenance and Repair Services - Vehicles		22,797	
Pest Control		125	
Postal Charges		956	
Travel		619	
Remittance of Revenue Collected		790	
Other Contracted Services		180	
Custodial Supplies		1,008	
Drugs and Medical Supplies		33,733	
Electricity		3,969	
Gasoline		20,445	
Office Supplies		1,867	
Uniforms		969	
Utilities		1,533	
Data Processing Equipment		1,800	
Office Equipment		1,875	
Total Ambulance/Emergency Medical Services			\$ 633,463

Other Local Health Services

Medical Personnel	\$	43,082	
Social Security		2,671	
Unemployment Compensation		260	
Employer Medicare		625	
Travel		344	
Total Other Local Health Services			46,982

Regional Mental Health Center

Deputy(ies)	\$	15,554	
Other Salaries and Wages		20,000	
Social Security		1,725	
Unemployment Compensation		29	
Employer Medicare		380	
Accounting Services		4,380	
Travel		10,955	
Other Contracted Services		54,594	
Other Supplies and Materials		19	
Total Regional Mental Health Center			107,636

(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

Laborers	\$ 10,861	
Clerical Personnel	6,496	
Social Security	1,076	
Unemployment Compensation	149	
Employer Medicare	252	
Maintenance and Repair Services - Vehicles	2,286	
Gasoline	3,057	
Other Charges	4,227	
Total Sanitation Education/Information		\$ 28,404

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 50,890	
Total Adult Activities		50,890

Libraries

Deputy(ies)	\$ 20,101	
Librarians	31,650	
Bonus Payments	15,390	
Other Salaries and Wages	3,392	
Social Security	4,434	
Unemployment Compensation	440	
Employer Medicare	1,037	
Communication	1,756	
Dues and Memberships	495	
Janitorial Services	1,401	
Maintenance and Repair Services - Buildings	1,487	
Postal Charges	1,600	
Travel	1,006	
Other Contracted Services	255	
Custodial Supplies	540	
Data Processing Supplies	2,300	
Electricity	8,089	
Library Books/Media	17,533	
Natural Gas	681	
Office Supplies	2,254	
Water and Sewer	400	
Other Supplies and Materials	650	
Total Libraries		116,891

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

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

Agriculture and Natural Resources

Agriculture Extension Service

Assistant(s)	\$ 9,068	
Supervisor/Director	11,227	
Secretary(ies)	5,573	
Social Security	1,056	
Local Retirement	2,919	
Communication	1,541	
Travel	2,243	
Office Supplies	1,250	
Data Processing Equipment	950	
Other Equipment	112	
Total Agriculture Extension Service		35,939

Forest Service

Other Equipment	\$ 5,151	
Total Forest Service		5,151

Soil Conservation

Board and Committee Members Fees	\$ 6,777	
Social Security	420	
Unemployment Compensation	99	
Employer Medicare	98	
Communication	353	
Contributions	1,000	
Total Soil Conservation		8,747

Flood Control

Other Supplies and Materials	\$ 61,417	
Other Charges	11,528	
Total Flood Control		72,945

Other Operations

Tourism

Maintenance Personnel	\$ 3,785	
Social Security	235	
Unemployment Compensation	55	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Tourism (Cont.)

Employer Medicare	\$	55	
Contracts with Other Public Agencies		1,618	
Maintenance and Repair Services - Buildings		1,745	
Electricity		2,158	
Garage Supplies		1,222	
Other Charges		10,000	
Building Improvements		5,856	
Total Tourism			\$ 26,729

Other Economic and Community Development

County Official/Administrative Officer	\$	26,780	
Assistant(s)		9,178	
In-Service Training		1,091	
Social Security		2,229	
Unemployment Compensation		267	
Employer Medicare		521	
Maintenance and Repair Services - Buildings		5,834	
Custodial Supplies		130	
Food Supplies		7,960	
Office Supplies		322	
Utilities		7,467	
Other Supplies and Materials		377	
Building and Contents Insurance		2,500	
Other Charges		440	
Office Equipment		2,000	
Total Other Economic and Community Development			67,096

Airport

Contracts with Private Agencies	\$	2,000	
Maintenance and Repair Services - Buildings		700	
Electricity		1,126	
Building and Contents Insurance		1,088	
Total Airport			4,914

Veterans' Services

County Official/Administrative Officer	\$	1,758	
Other Per Diem and Fees		772	
Social Security		136	
Employer Medicare		37	
Total Veterans' Services			2,703

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Other Charges	\$ 400	
Total Other Charges		\$ 400

Contributions to Other Agencies

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

Employee Benefits

Social Security	\$ 339	
Unemployment Compensation	100	
Workers' Compensation Insurance	38,226	
Total Employee Benefits		38,665

Payments to Cities

Matching Share	\$ 5,849	
Total Payments to Cities		5,849

Miscellaneous

Dues and Memberships	\$ 1,627	
Remittance of Revenue Collected	9,469	
Other Supplies and Materials	267	
Liability Insurance	35,097	
Trustee's Commission	43,409	
Other Charges	1,000	
Total Miscellaneous		90,869

Capital Projects

General Administration Projects

Building Improvements	\$ 3,058	
Total General Administration Projects		3,058

Administration of Justice Projects

Motor Vehicles	\$ 23,115	
Total Administration of Justice Projects		23,115

Public Health and Welfare Projects

Motor Vehicles	\$ 93,476	
Total Public Health and Welfare Projects		93,476

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Capital Projects (Cont.)

Other General Government Projects

Social Security	\$	81	
Unemployment Compensation		20	
Employer Medicare		19	
Building Improvements		3,042	
Other Equipment		14,913	
Other Construction		1,623	
Total Other General Government Projects			\$ 19,698

Total General Fund \$ 3,913,943

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Equipment Operators	\$	71,937	
Other Salaries and Wages		5,196	
Social Security		4,782	
Unemployment Compensation		620	
Employer Medicare		1,118	
Communication		523	
Contracts with Private Agencies		91,873	
Evaluation and Testing		4,132	
Laundry Service		980	
Operating Lease Payments		11,012	
Maintenance and Repair Services - Equipment		23,727	
Travel		278	
Disposal Fees		2,500	
Diesel Fuel		24,740	
Electricity		2,471	
Water and Sewer		2,400	
Maintenance Equipment		16,810	
Total Convenience Centers			\$ 265,099

Landfill Operation and Maintenance

General Construction Materials	\$	6,225	
Total Landfill Operation and Maintenance			6,225

Other Operations

Other Charges

Trustee's Commission	\$	4,972	
Total Other Charges			4,972

Total Solid Waste/Sanitation Fund 276,296

(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	\$ 5,000	
Other Charges	12,789	
Total Drug Enforcement	<u>17,789</u>	\$ 17,789

Total Drug Control Fund \$ 17,789

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 56,193	
Total County Clerk's Office	<u>56,193</u>	\$ 56,193

Total Constitutional Officers - Fees Fund 56,193

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 59,201	
Accountants/Bookkeepers	30,910	
Secretary(ies)	38,295	
Data Processing Services	5,132	
Dues and Memberships	1,982	
Freight Expenses	611	
Operating Lease Payments	2,451	
Legal Notices, Recording, and Court Costs	1,152	
Postal Charges	264	
Printing, Stationery, and Forms	707	
Travel	4,958	
Office Supplies	9,798	
Other Charges	1,117	
Total Administration	<u>156,578</u>	\$ 156,578

Highway and Bridge Maintenance

Foremen	\$ 106,591
Equipment Operators	142,632
Truck Drivers	128,643
Laborers	32,230
Other Contracted Services	266,381
Asphalt - Cold Mix	5,214
Asphalt - Liquid	3,178

(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.)

Crushed Stone	\$ 266,073	
Ice	763	
Other Road Supplies	1,892	
Pipe - Metal	21,275	
Road Signs	1,880	
Structural Steel	23	
Other Supplies and Materials	3,052	
Total Highway and Bridge Maintenance		\$ 979,827

Operation and Maintenance of Equipment

Mechanic(s)	\$ 47,697	
Maintenance and Repair Services - Equipment	3,140	
Maintenance and Repair Services - Vehicles	4,302	
Diesel Fuel	72,428	
Equipment and Machinery Parts	18,405	
Garage Supplies	3,929	
Gasoline	35,100	
Lubricants	2,580	
Small Tools	19	
Tires and Tubes	22,431	
Vehicle Parts	11,719	
Total Operation and Maintenance of Equipment		221,750

Other Charges

Communication	\$ 3,215	
Contracts with Private Agencies	665	
Janitorial Services	2,170	
Pest Control	75	
Rentals	482	
Custodial Supplies	242	
Drugs and Medical Supplies	161	
Electricity	4,222	
Water and Sewer	521	
Other Supplies and Materials	791	
Premiums on Corporate Surety Bonds	396	
Trustee's Commission	13,112	
Vehicle and Equipment Insurance	11,869	
Other Charges	3,216	
Total Other Charges		41,137

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$ 32,085	
Life Insurance	7,612	
Medical Insurance	132,367	
Unemployment Compensation	6,086	
Employer Medicare	7,504	
Laundry Service	4,014	
Workers' Compensation Insurance	30,051	
Total Employee Benefits		\$ 219,719

Capital Outlay

Engineering Services	\$ 4,426	
Bridge Construction	24,144	
Building Improvements	1,012	
Highway Equipment	850	
Motor Vehicles	77,877	
Office Equipment	850	
State Aid Projects	221,624	
Total Capital Outlay		<u>330,783</u>

Total Highway/Public Works Fund \$ 1,949,794

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 24,396	
Principal on Notes	131,876	
Principal on Other Loans	138,000	
Total General Government		\$ 294,272

Education

Principal on Notes	\$ 73,181	
Principal on Other Loans	310,000	
Total Education		383,181

Interest on Debt

General Government

Interest on Bonds	\$ 6,673	
Interest on Notes	26,527	
Interest on Other Loans	25,504	
Total General Government		58,704

(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>Education</u>		
Interest on Notes	\$ 7,402	
Interest on Other Loans	72,126	
Total Education		\$ 79,528
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 7,813	
Total General Government		7,813
Total General Debt Service Fund		\$ 823,498
<u>General Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Industrial Development</u>		
Other Construction	\$ 32,031	
Total Industrial Development		\$ 32,031
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Contributions	\$ 500,000	
Total Education Capital Projects		500,000
Total General Capital Projects Fund		532,031
<u>HUD Grant Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
County Official/Administrative Officer	\$ 3,423	
Other Construction	46,446	
Total Housing and Urban Development		\$ 49,869
Total HUD Grant Projects Fund		49,869
<u>Other Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Other Construction	\$ 142,622	
Other Capital Outlay	15,900	
Total Housing and Urban Development		\$ 158,522
Total Other Capital Projects Fund		158,522
Total Governmental Funds - Primary Government		<u>\$ 7,777,935</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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,033,555	
Career Ladder Program	37,250	
Career Ladder Extended Contracts	40,135	
Homebound Teachers	5,640	
Educational Assistants	134,203	
Other Salaries and Wages	22,745	
Certified Substitute Teachers	10,000	
Non-certified Substitute Teachers	49,975	
Social Security	195,283	
State Retirement	278,662	
Life Insurance	4,850	
Medical Insurance	221,876	
Employer Medicare	45,671	
Other Contracted Services	92,329	
Instructional Supplies and Materials	93,032	
Textbooks	143,349	
Other Supplies and Materials	7,359	
Other Charges	142	
Regular Instruction Equipment	183,250	
Total Regular Instruction Program		\$ 4,599,306

Special Education Program

Teachers	\$ 226,129	
Career Ladder Program	2,000	
Homebound Teachers	960	
Educational Assistants	42,242	
Non-certified Substitute Teachers	4,915	
Social Security	16,184	
State Retirement	20,822	
Medical Insurance	26,853	
Employer Medicare	3,785	
Instructional Supplies and Materials	492	
Other Supplies and Materials	515	
Total Special Education Program		344,897

Vocational Education Program

Teachers	\$ 209,720
Career Ladder Program	1,500
Non-certified Substitute Teachers	2,855

(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.)

Social Security	\$ 11,950	
State Retirement	19,161	
Medical Insurance	26,524	
Employer Medicare	2,795	
Instructional Supplies and Materials	2,136	
Other Supplies and Materials	358	
Vocational Instruction Equipment	2,714	
Total Vocational Education Program		\$ 279,713

Support Services

Attendance

Supervisor/Director	\$ 28,806	
Career Ladder Program	500	
Social Security	1,679	
Employer Medicare	393	
Travel	169	
Attendance Equipment	400	
Total Attendance		31,947

Health Services

Medical Personnel	\$ 13,507	
Social Security	837	
Employer Medicare	196	
Travel	701	
Drugs and Medical Supplies	652	
Other Supplies and Materials	305	
Total Health Services		16,198

Other Student Support

Guidance Personnel	\$ 134,241	
School Resource Officer	12,000	
Other Salaries and Wages	38,795	
Social Security	10,326	
State Retirement	12,415	
Medical Insurance	4,032	
Employer Medicare	2,415	
Evaluation and Testing	10,214	
Travel	1,913	
Other Supplies and Materials	31,150	

(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.)

Other Charges	\$ 2,721	
Total Other Student Support		\$ 260,222

Regular Instruction Program

Supervisor/Director	\$ 183,317	
Career Ladder Program	3,000	
Librarians	165,931	
Instructional Computer Personnel	70,054	
Social Security	24,155	
State Retirement	30,004	
Medical Insurance	39,339	
Employer Medicare	5,649	
Travel	2,035	
Library Books/Media	6,000	
Other Supplies and Materials	45	
In Service/Staff Development	13,285	
Other Charges	807	
Other Equipment	3,703	
Total Regular Instruction Program		547,324

Alternative Instruction Program

Supervisor/Director	\$ 43,892	
Career Ladder Program	1,000	
Social Security	2,332	
State Retirement	4,062	
Medical Insurance	6,763	
Employer Medicare	545	
Maintenance and Repair Services - Equipment	1,296	
Travel	260	
Other Supplies and Materials	84	
In Service/Staff Development	75	
Total Alternative Instruction Program		60,309

Special Education Program

Supervisor/Director	\$ 38,552	
Career Ladder Program	1,000	
Psychological Personnel	47,575	
Other Salaries and Wages	10,101	
Social Security	5,559	

(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.)

State Retirement	\$	7,794	
Medical Insurance		2,441	
Employer Medicare		1,300	
Travel		3,398	
Other Supplies and Materials		1,449	
Other Charges		445	
Total Special Education Program			\$ 119,614

Other Programs

On-Behalf Payments to OPEB	\$	18,048	
Total Other Programs			18,048

Board of Education

Board and Committee Members Fees	\$	5,100	
Social Security		316	
Unemployment Compensation		15,792	
Employer Medicare		74	
Audit Services		3,500	
Dues and Memberships		7,340	
Legal Services		4,547	
Travel		816	
Other Contracted Services		4,211	
Other Supplies and Materials		777	
Liability Insurance		108,743	
Trustee's Commission		38,727	
Workers' Compensation Insurance		59,877	
In Service/Staff Development		4,255	
Criminal Investigation of Applicants - TBI		2,240	
Other Charges		7,207	
Total Board of Education			263,522

Director of Schools

County Official/Administrative Officer	\$	85,000	
Career Ladder Program		1,000	
Secretary(ies)		28,750	
Clerical Personnel		26,650	
Social Security		8,439	
State Retirement		7,782	
Medical Insurance		3,452	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Employer Medicare	\$	1,974	
Communication		4,919	
Dues and Memberships		1,326	
Postal Charges		2,910	
Travel		2,232	
Other Supplies and Materials		282	
In Service/Staff Development		400	
Administration Equipment		866	
Total Director of Schools			\$ 175,982

Office of the Principal

Principals	\$	257,666	
Career Ladder Program		3,000	
Assistant Principals		86,554	
Secretary(ies)		94,000	
Clerical Personnel		44,224	
Social Security		29,459	
State Retirement		31,424	
Medical Insurance		7,681	
Employer Medicare		6,887	
Communication		9,494	
Dues and Memberships		2,500	
Administration Equipment		176	
Total Office of the Principal			573,065

Fiscal Services

Accountants/Bookkeepers	\$	28,750	
Clerical Personnel		43,858	
Social Security		4,452	
Employer Medicare		1,041	
Travel		701	
Other Contracted Services		6,845	
Data Processing Supplies		1,368	
Office Supplies		5,649	
Other Supplies and Materials		111	
In Service/Staff Development		587	
Other Charges		109	
Administration Equipment		12,412	
Total Fiscal Services			105,883

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Guards	\$	29,995	
Custodial Personnel		164,879	
Other Salaries and Wages		29,502	
Social Security		13,883	
Employer Medicare		3,247	
Rentals		12,000	
Disposal Fees		4,766	
Other Contracted Services		7,728	
Custodial Supplies		15,766	
Electricity		349,912	
Natural Gas		60,615	
Water and Sewer		58,192	
Other Supplies and Materials		3,066	
Boiler Insurance		3,301	
Other Charges		716	
Plant Operation Equipment		832	
Total Operation of Plant			\$ 758,400

Maintenance of Plant

Maintenance Personnel	\$	93,112	
Social Security		5,762	
Employer Medicare		1,348	
Maintenance and Repair Services - Buildings		48,649	
Maintenance and Repair Services - Equipment		33,968	
Equipment and Machinery Parts		3,900	
Other Supplies and Materials		4,266	
Maintenance Equipment		2,621	
Total Maintenance of Plant			193,626

Transportation

Supervisor/Director	\$	38,950	
Mechanic(s)		66,389	
Bus Drivers		128,000	
Other Salaries and Wages		27,521	
Social Security		16,092	
Employer Medicare		3,763	
Communication		1,671	
Contracts with Parents		1,903	
Maintenance and Repair Services - Vehicles		4,414	

(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.)

Medical and Dental Services	\$	1,959	
Travel		1,056	
Other Contracted Services		1,224	
Gasoline		88,115	
Lubricants		1,860	
Tires and Tubes		9,580	
Vehicle Parts		21,294	
Other Supplies and Materials		10,668	
In Service/Staff Development		924	
Other Charges		97	
Transportation Equipment		67,157	
Total Transportation			\$ 492,637

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	28,000	
Social Security		1,733	
Employer Medicare		405	
Total Food Service			30,138

Community Services

Supervisor/Director	\$	18,935	
Other Salaries and Wages		9,503	
Social Security		1,744	
Employer Medicare		408	
Travel		346	
Instructional Supplies and Materials		376	
Other Supplies and Materials		1,547	
Other Charges		293	
Total Community Services			33,152

Early Childhood Education

Supervisor/Director	\$	25,701	
Teachers		119,023	
Educational Assistants		38,063	
Other Salaries and Wages		17,854	
Non-certified Substitute Teachers		6,191	
Social Security		12,492	
State Retirement		13,098	

(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.)

Medical Insurance	\$	6,176	
Employer Medicare		2,922	
Travel		1,091	
Instructional Supplies and Materials		11,259	
Other Supplies and Materials		5,501	
In Service/Staff Development		963	
Other Charges		1,840	
Other Equipment		35,206	
Total Early Childhood Education			\$ 297,380

Capital Outlay

Regular Capital Outlay

Consultants	\$	3,200	
Engineering Services		1,050	
Building Improvements		324,314	
Total Regular Capital Outlay			328,564

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	480,583	
Total Education			480,583

Total General Purpose School Fund \$ 10,010,510

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	256,807	
Educational Assistants		89,845	
Non-certified Substitute Teachers		2,720	
Social Security		21,846	
State Retirement		20,959	
Medical Insurance		16,177	
Employer Medicare		5,109	
Other Contracted Services		9,645	
Instructional Supplies and Materials		41,889	
Other Supplies and Materials		3,824	
Regular Instruction Equipment		187,008	
Total Regular Instruction Program			\$ 655,829

(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.)

Special Education Program

Teachers	\$	154,220	
Educational Assistants		164,454	
Non-certified Substitute Teachers		7,510	
Social Security		19,329	
State Retirement		13,645	
Medical Insurance		18,766	
Employer Medicare		4,521	
Contracts with Private Agencies		119,455	
Instructional Supplies and Materials		9,991	
Other Supplies and Materials		3,240	
Total Special Education Program			\$ 515,131

Vocational Education Program

Other Contracted Services	\$	700	
Instructional Supplies and Materials		5,557	
Vocational Instruction Equipment		9,209	
Total Vocational Education Program			15,466

Support Services

Other Student Support

Travel	\$	9,153	
Other Contracted Services		7,605	
Other Charges		51	
Total Other Student Support			16,809

Regular Instruction Program

Supervisor/Director	\$	2,627	
Clerical Personnel		20,292	
Other Salaries and Wages		9,400	
Social Security		891	
State Retirement		1,088	
Employer Medicare		208	
Other Contracted Services		2,565	
Library Books/Media		16,444	
In Service/Staff Development		23,811	
Total Regular Instruction Program			77,326

Special Education Program

Travel	\$	2,221	
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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.)

<u>School Federal Projects Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
Other Supplies and Materials	\$ 435	
In Service/Staff Development	2,500	
Total Special Education Program		\$ 5,156
 <u>Vocational Education Program</u>		
Travel	\$ 70	
In Service/Staff Development	200	
Other Charges	27	
Total Vocational Education Program		<u>297</u>
Total School Federal Projects Fund		\$ 1,286,014
 <u>Central Cafeteria Fund</u>		
<u>Operation of Non-Instructional Services</u>		
<u>Food Service</u>		
Cafeteria Personnel	\$ 291,157	
Social Security	18,033	
Employer Medicare	4,218	
Communication	1,413	
Maintenance and Repair Services - Equipment	18,758	
Transportation - Other than Students	4,872	
Travel	1,435	
Other Contracted Services	9,272	
Food Supplies	335,925	
USDA - Commodities	42,680	
Other Supplies and Materials	40,018	
In Service/Staff Development	478	
Other Charges	3,904	
Food Service Equipment	11,042	
Total Food Service		<u>\$ 783,205</u>
Total Central Cafeteria Fund		<u>783,205</u>
Total Governmental Funds - Houston County School Department		<u>\$ 12,079,729</u>

Exhibit J-9

Houston County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2011

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 416,428
Total Cash Receipts	<u>\$ 416,428</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 412,264
Trustee's Commission	<u>4,164</u>
Total Cash Disbursements	<u>\$ 416,428</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
Cash Balance, June 30, 2011	<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

October 31, 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, 2011, which collectively comprise Houston County's basic financial statements and have issued our report thereon dated October 31, 2011. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Houston County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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: 11.01 and 11.08.

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: 11.03, 11.04, 11.05, 11.06, 11.07, and 11.09.

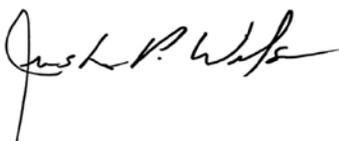
Compliance and Other Matters

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item 11.02.

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

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Houston County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



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
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 31, 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

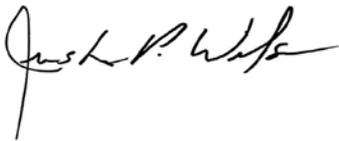
Schedule of Expenditures of Federal Awards

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, 2011, and have issued our report thereon dated October 31, 2011. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Houston County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the

financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Houston County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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 long vertical line extending downwards from the end.

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, 2011

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	\$ 106,618
National School Lunch Program	10.555	N/A	274,022 (5)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	42,680 (5)
Passed-through Tennessee Secretary of State:			
Communities Facilities Loans and Grants	10.766	(2)	20,383
Direct Program:			
Emergency Watershed Protection Program, Recovery Act	10.923	(2)	273,713
Total U.S. Department of Agriculture			<u>\$ 717,416</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(3)	\$ 148,540
Passed-through State Housing Development Agency:			
Home Investment Partnerships Program	14.239	(2)	49,869
Total U.S. Department of Housing and Urban Development			<u>\$ 198,409</u>
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)	72,056
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	GG-11-3-09	15,000
Total U.S. Department of Justice			<u>\$ 96,056</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	\$ 5,248
Total U.S. Department of Transportation			<u>\$ 5,248</u>
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	\$ 409,487
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	83,298
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	317,038
Special Education - Preschool Grants	84.173	N/A	13,779
Special Education - Grants to States, Recovery Act	84.391	N/A	135,652
Special Education - Preschool Grants, Recovery Act	84.392	N/A	4,000
Career and Technical Education - Basic Grants to States	84.048	N/A	55,477
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	12,000
Improving Teacher Quality State Grants	84.367	N/A	65,404
Education Technology State Grants, Recovery Act	84.386	N/A	18,359
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	888,696
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	131,194
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	72,506
Education Jobs Fund	84.410	N/A	111,014
Total U.S. Department of Education			<u>\$ 2,317,904</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Direct Program:			
Drug-free Communities Support Program Grants	93.276	N/A	\$ 171,361
Passed-through State Department of Education:			
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	(2)	11,911
Total U.S. Department of Health and Human Services			<u>\$ 183,272</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(4)	\$ 1,039,741
Total U.S. Department of Homeland Security			<u>\$ 1,039,741</u>
Total Expenditures of Federal Awards			<u>\$ 4,558,046</u>
<u>State Grants</u>			
Preventive Health and Human Services - State Department of Health	N/A	Contract GG-11-32069-00	\$ 46,991
Litter Grant - State Department of Transportation	N/A	(2)	24,165
Fasttrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	GG-09-26719-00	130,459
Volunteer Fire Assistance Grant - State Department of Agriculture	N/A	(2)	1,585
Internet Connectivity - State Department of Education	N/A	(2)	806
Early Childhood Education - State Department of Education	N/A	(2)	288,377
Energy Efficient Initiative - State Department of Education	N/A	(2)	31,670
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(2)	1,686
Total State Grants			<u>\$ 525,739</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) GG-09-27980-00: \$132,640; GG-10-34728-00: \$15,900.
(4) FEMA-1856-DR-TN: \$450; FEMA-1909-DR-TN: \$1,039,291.
(5) Total for CFDA No. 10.555 is \$316,702.

Houston County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.02	148	Material audit adjustments were required for proper financial statement presentation

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.03	148	The office had deficiencies in purchasing procedures

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.09	151	Houston County has material recurring audit findings
10.10	152	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

HOUSTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Houston County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Houston County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The 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); the State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act and State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397); and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Houston County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

HOUSTON COUNTY AND HOUSTON COUNTY SCHOOL DEPARTMENT

FINDING 11.01 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, certain general ledger account balances in the General, Highway/Public Works, General Debt Service, General Capital Projects, Other Capital Projects, and General Purpose School 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 and the Houston County School Department to have adequate internal controls over the maintenance of their accounting records. Material audit adjustments were required because the county's and School Department'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 and the School Department have ineffective controls over the maintenance of their 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

Houston County and the School Department should have appropriate processes in place to ensure that their general ledgers are materially correct.

OFFICE OF COUNTY MAYOR

FINDING 11.02 **GENERAL LEDGER CASH ACCOUNTS WERE NOT RECONCILED WITH COUNTY TRUSTEE REPORTS**
(Material Noncompliance Under *Government Auditing Standards*)

Our audit revealed that the general ledger cash accounts in the General Capital Projects and Other Capital Projects funds were not reconciled with county trustee reports. Receipts from the county trustee's monthly reports were not posted to the accounting records; therefore, no attempt had been made by employees to reconcile these funds' cash accounts with the trustee reports. At June 30, 2011, the cash balances in the General Capital Projects and Other Capital Projects funds failed to reconcile with the trustee's cash balance

by \$211,700 and \$5,925, respectively. Section 9-2-138, *Tennessee Code Annotated*, requires officials to reconcile their respective fund accounts with the records of the county trustee monthly. This deficiency resulted from a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The office should reconcile all fund cash accounts with county trustee reports monthly as required by state statute, and any errors discovered should be corrected promptly.

FINDING 11.03 **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.

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

FINDING 11.04 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of County Clerk and Clerk and Master. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but the beginning amount at the end of the day. This amount should be verified to the employee's

receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the officials resulting in a loss of control over assets.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK

FINDING 11.05 **BANK STATEMENTS FOR GENERAL SESSIONS AND JUVENILE COURTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGERS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Bank statements were not accurately reconciled with the general ledgers in the General Sessions and Juvenile courts. The clerk had not identified variances between the bank statements and the general ledger balances. Unexplained and incorrect journal entries had been made in an attempt to reconcile the general ledgers with bank statements. We identified these variances and presented adjustments to the clerk that she approved and posted. Sound business practices require the reconciliation of bank statements with general ledger accounts to ensure that all cash collections and disbursements are recorded accurately on the accounting records. The failure to currently reconcile bank statements with the general ledger allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

Bank statements should be reconciled with the general ledgers monthly, and any errors discovered should be corrected promptly.

OFFICE OF SHERIFF

FINDING 11.06 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The following deficiencies were noted during our examination of the accounting records. These deficiencies can be attributed to a lack of understanding of internal controls, generally accepted accounting principles, and sound business practices.

- A. The cash journal did not properly reflect the operations of the office. Receipts totaling \$5,930 and disbursements totaling \$5,000 for confidential drug control activity were not included on the cash journal. These operations were determined by substantive testing and alternative auditing procedures and have been included in the financial statements of this report.
- B. The Sheriff's Department did not include the commissary activity and the confidential drug control activity on its annual financial report. Operations and year-end balances were determined by substantive testing and alternative auditing procedures and have been correctly reflected in the financial statements of this report.

RECOMMENDATION

The cash journal and annual financial report should accurately reflect all operations of the Sheriff's Department.

FINDING 11.07 **THE SHERIFF'S DEPARTMENT HAD SEVERAL MISSING SERVICE FIREARMS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our office received allegations of missing service firearms discovered during the September 1, 2010, change in administration in the Sheriff's Office. We were apprised by the new administration that they had performed an inventory review of service firearms. They obtained invoices of purchases totaling \$3,139 from a firearms supplier for the period March 10, 2005, through March 23, 2007. A comparison of the physical inventory of service firearms on hand with weapons purchased and shipped to the Sheriff's Department revealed that seven service firearms were unaccounted. We were able to confirm through records acquired from the U.S. Bureau of Alcohol, Tobacco, Firearms, and Explosives that these firearms were currently registered to the Sheriff's Department. However, we were unable to locate invoices/checks in the County Mayor's Office as evidence that the firearms had been purchased and paid for by the county. The former sheriff advised us that several of his deputies may have personally purchased these service firearms; however, he provided us with no further documentation. This finding has been discussed with the district attorney general.

RECOMMENDATION

Inventory records are an important internal control procedure and should accurately reflect complete information of all service firearms purchased by and registered to the Sheriff's Department. All department equipment should be properly transferred from one administration to the succeeding administration. Deputies should not purchase service firearms for personal use that are registered as property of the Sheriff's Department.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 11.08 **HOUSTON COUNTY HAS A MATERIAL RECURRING AUDIT FINDING
(Internal Control – Material Weakness Under *Government Auditing Standards*)**

Houston County has a material audit finding that has been reported in its annual financial reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
11.01, 10.02, 09.02	Several funds required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. 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 11.09

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 at 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 give 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

HOUSTON COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

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**

There were no findings and questioned costs for federal awards.

HOUSTON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2011

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

Director of Schools – Summary Schedule of Prior-Year's Findings

FINDINGS 10.06 and 10.11

All ARRA funds were cost centered in the 2010-11 budget for the Houston County School Department.