
ANNUAL FINANCIAL REPORT HOUSTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



ANNUAL FINANCIAL REPORT
HOUSTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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State Auditors

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

HOUSTON COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Houston County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	21
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	22
Notes to the Financial Statements		23-48
REQUIRED SUPPLEMENTARY INFORMATION:		49
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	50-52
Highway/Public Works Fund	E-2	53-54
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Houston County School Department	E-3	55
Notes to the Required Supplementary Information		56

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		57
Nonmajor Governmental Funds:		58
Combining Balance Sheet	F-1	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	60
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	F-3	61
Drug Control Fund	F-4	62
Major Governmental Fund:		63
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	64
Fiduciary Funds:		65
Combining Statement of Fiduciary Assets and Liabilities	H-1	66
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	67
Component Unit:		
Discretely Presented Houston County School Department:		68
Statement of Activities	I-1	69
Balance Sheet – Governmental Funds	I-2	70
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	71
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	72
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	73
Combining Balance Sheet - Nonmajor Governmental Funds	I-6	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	I-7	75
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	76-77
School Federal Projects Fund	I-9	78
Central Cafeteria Fund	I-10	79

	Exhibit	Page(s)
Miscellaneous Schedules:		80
Schedule of Changes in Long-term Notes, Other Loans, and Bonds	J-1	81
Schedule of Long-term Debt Requirements by Year	J-2	82
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Houston County School Department	J-3	83
Schedule of Detailed Revenues – All Governmental Fund Types	J-4	84-88
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Houston County School Department	J-5	89-90
Schedule of Detailed Expenditures – All Governmental Fund Types	J-6	91-111
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Houston County School Department	J-7	112-121
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-8	122
 <u>SINGLE AUDIT SECTION</u>		 123
Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		 124-126
Auditor's 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		 127-129
Schedule of Expenditures of Federal Awards and State Grants		130-131
Schedule of Audit Findings Not Corrected		132-133
Schedule of Findings and Questioned Costs		134-141
Auditee Reporting Responsibilities		142

Audit Highlights
Annual Financial Report
Houston County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2012.

Results

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

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

Findings 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

- ◆ 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 were not accurately reconciled with the general ledgers and lists of outstanding checks were not prepared.
 - ◆ The General Sessions Court execution docket trial balance did not reconcile with cash journal accounts.
-

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
-

HOUSTON COUNTY

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

AMBULANCE SERVICE AND OFFICES OF COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Houston County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government 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, 2012

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 LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

October 18, 2012

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, 2012, 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, 2012, 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, based on our audit, 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, 2012, 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 18, 2012, 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.

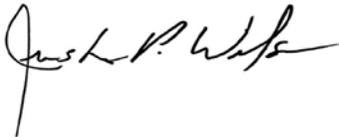
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 50 through 56 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,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Houston County, Tennessee
Statement of Net Assets
June 30, 2012

	Primary Government Governmental Activities	Component Unit Houston County School Department
<u>ASSETS</u>		
Cash	\$ 5,430	\$ 0
Equity in Pooled Cash and Investments	4,067,209	5,037,884
Accounts Receivable	1,154,733	4,590
Allowance for Uncollectibles	(565,899)	0
Due from Other Governments	355,541	356,868
Due from Component Units	110,557	0
Property Taxes Receivable	2,411,706	726,252
Allowance for Uncollectible Property Taxes	(296,916)	(23,394)
Accrued Interest Receivable	0	29,659
Capital Assets:		
Assets Not Depreciated:		
Land	699,908	333,220
Construction in Progress	67,958	83,127
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,162,666	7,434,670
Infrastructure	1,628,732	0
Other Capital Assets	839,775	1,230,138
Total Assets	<u>\$ 12,641,400</u>	<u>\$ 15,213,014</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 31,160	\$ 67,732
Payroll Deductions Payable	420	91,505
Contracts Payable	18,000	49,797
Due to State of Tennessee	660	0
Accrued Interest Payable	22,505	0
Deferred Revenue - Current Property Taxes	1,963,125	657,187
Noncurrent Liabilities:		
Due Within One Year	771,472	0
Due in More Than One Year	10,694,390	226,860
Total Liabilities	<u>\$ 13,501,732</u>	<u>\$ 1,093,081</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 2,268,268	\$ 0
Invested in Capital Assets	0	9,081,155
Restricted for:		
Resort District	189,425	0
Solid Waste/Sanitation	186,897	0
Highway/Public Works	1,631,857	0
Central Cafeteria	0	210,039
Debt Service	1,745,047	0
Other Purposes	83,020	494
Unrestricted	<u>(6,964,846)</u>	<u>4,828,245</u>
Total Net Assets (Deficit)	<u>\$ (860,332)</u>	<u>\$ 14,119,933</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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Government	Unit
					Total	Houston County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 621,337	\$ 73,550	\$ 36,964	\$ 12,389	\$ (498,434)	\$ 0
Finance	384,154	202,803	0	0	(181,351)	0
Administration of Justice	346,775	132,424	63,418	0	(150,933)	0
Public Safety	1,397,973	38,333	131,098	0	(1,228,542)	0
Public Health and Welfare	1,254,658	538,014	191,619	0	(525,025)	0
Social, Cultural, and Recreational Services	250,340	4,112	4,783	0	(241,445)	0
Agriculture and Natural Resources	48,814	0	0	0	(48,814)	0
Other Operations	280,162	45,410	50,331	140,572	(43,849)	0
Highway/Public Works	1,965,890	26,184	1,260,903	973,671	294,868	0
Interest on Long-term Debt	154,445	0	476,466	0	322,021	0
Other Debt Service	7,764	0	0	0	(7,764)	0
Total Primary Government	\$ 6,712,312	\$ 1,060,830	\$ 2,215,582	\$ 1,126,632	\$ (2,309,268)	\$ 0
Component Unit:						
Houston County School Department	\$ 12,045,584	\$ 332,062	\$ 1,794,356	\$ 7,877	\$ 0	\$ (9,911,289)
Total Component Unit	\$ 12,045,584	\$ 332,062	\$ 1,794,356	\$ 7,877	\$ 0	\$ (9,911,289)

(Continued)

Exhibit B

Houston County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
				Government	Unit
	Expenses		Total Governmental Activities	Houston County School Department	
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes			\$ 2,224,060	\$	676,385
Property Taxes Levied for Debt Service			22,050		0
Local Option Sales Taxes			109,557		532,862
Payments in-Lieu-of-Taxes - Local Utilities			32,787		0
Wheel Tax			321,206		0
Wholesale Beer Tax			29,362		0
Other Local Taxes			38,692		32,226
Grants and Contributions Not Restricted to Specific Programs			133,388		8,898,487
Unrestricted Investment Income			0		49,177
Miscellaneous			46,687		22,405
Total General Revenues			\$ 2,957,789	\$	10,211,542
Change in Net Assets			\$ 648,521	\$	300,253
Net Assets (Deficit), July 1, 2011			(1,508,853)		13,819,680
Net Assets (Deficit), June 30, 2012			\$ (860,332)	\$	14,119,933

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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 5,430	\$ 5,430
Equity in Pooled Cash and Investments	750,393	1,492,299	1,620,958	203,559	4,067,209
Accounts Receivable	1,154,250	186	28	269	1,154,733
Allowance for Uncollectibles	(565,899)	0	0	0	(565,899)
Due from Other Governments	112,241	220,406	21	22,873	355,541
Due from Component Units	0	70	110,487	0	110,557
Property Taxes Receivable	2,123,945	13,703	27,406	246,652	2,411,706
Allowance for Uncollectible Property Taxes	(68,417)	(441)	(883)	(227,175)	(296,916)
Advances to Other Funds	0	0	33,333	0	33,333
Total Assets	\$ 3,506,513	\$ 1,726,223	\$ 1,791,350	\$ 251,608	\$ 7,275,694
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 655	\$ 30,424	\$ 0	\$ 81	\$ 31,160
Payroll Deductions Payable	0	420	0	0	420
Contracts Payable	0	0	0	18,000	18,000
Due to State of Tennessee	660	0	0	0	660
Deferred Revenue - Current Property Taxes	1,921,960	12,400	24,799	3,966	1,963,125
Deferred Revenue - Delinquent Property Taxes	127,949	826	1,651	14,859	145,285
Other Deferred Revenues	518,325	109,296	0	4,000	631,621
Advances from Other Funds	0	33,333	0	0	33,333
Total Liabilities	\$ 2,569,549	\$ 186,699	\$ 26,450	\$ 40,906	\$ 2,823,604
<u>Fund Balances</u>					
Restricted:					
Restricted for General Government	\$ 6,711	\$ 0	\$ 0	\$ 0	\$ 6,711
Restricted for Finance	1,666	0	0	0	1,666
Restricted for Administration of Justice	15,818	0	0	0	15,818
Restricted for Public Safety	21,611	0	0	37,214	58,825
Restricted for Public Health and Welfare	0	0	0	35,107	35,107
Restricted for Other Operations	189,425	0	0	0	189,425
Restricted for Highways/Public Works	0	1,443,175	0	0	1,443,175
Committed:					
Committed for General Government	0	0	0	206	206
Committed for Finance	0	0	0	5,244	5,244
Committed for Public Health and Welfare	0	0	0	132,931	132,931
Committed for Highways/Public Works	0	96,349	0	0	96,349
Committed for Debt Service	0	0	1,764,900	0	1,764,900
Unassigned	701,733	0	0	0	701,733
Total Fund Balances	\$ 936,964	\$ 1,539,524	\$ 1,764,900	\$ 210,702	\$ 4,452,090
Total Liabilities and Fund Balances	\$ 3,506,513	\$ 1,726,223	\$ 1,791,350	\$ 251,608	\$ 7,275,694

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, 2012

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)		\$	4,452,090
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	699,908	
Add: construction in progress		67,958	
Add: buildings and improvements net of accumulated depreciation		2,162,666	
Add: infrastructure net of accumulated depreciation		1,628,732	
Add: other capital assets net of accumulated depreciation		<u>839,775</u>	5,399,039
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(1,102,838)	
Less: other loans payable		(9,613,200)	
Less: bonds payable		(149,996)	
Less: compensated absences payable		(16,788)	
Less: landfill closure/postclosure care costs		(583,040)	
Less: accrued interest on notes and bonds		<u>(22,505)</u>	(11,488,367)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>776,906</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(860,332)</u></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, 2012

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,162,492	\$ 12,947	\$ 353,206	\$ 232,607	\$ 2,761,252
Licenses and Permits	3,344	0	0	0	3,344
Fines, Forfeitures, and Penalties	31,188	113	0	4,594	35,895
Charges for Current Services	551,308	0	2,699	58,030	612,037
Other Local Revenues	73,037	48,550	8,766	34,769	165,122
Fees Received from County Officials	260,298	0	0	0	260,298
State of Tennessee	309,716	1,468,336	5,813	55,837	1,839,702
Federal Government	153,531	770,011	0	130,293	1,053,835
Other Governments and Citizens Groups	94,739	0	476,466	11,529	582,734
Total Revenues	\$ 3,639,653	\$ 2,299,957	\$ 846,950	\$ 527,659	\$ 7,314,219
<u>Expenditures</u>					
Current:					
General Government	\$ 593,067	\$ 0	\$ 0	\$ 0	\$ 593,067
Finance	317,664	0	0	57,924	375,588
Administration of Justice	334,148	0	0	0	334,148
Public Safety	1,410,072	0	0	18,261	1,428,333
Public Health and Welfare	938,466	0	0	261,823	1,200,289
Social, Cultural, and Recreational Services	236,838	0	0	0	236,838
Agriculture and Natural Resources	47,261	0	0	0	47,261
Other Operations	302,362	0	0	103,139	405,501
Highways	0	1,869,658	0	0	1,869,658
Debt Service:					
Principal on Debt	0	25,112	694,214	0	719,326
Interest on Debt	0	2,602	145,452	0	148,054
Other Debt Service	0	0	7,764	0	7,764
Capital Projects	2,094	0	0	0	2,094
Total Expenditures	\$ 4,181,972	\$ 1,897,372	\$ 847,430	\$ 441,147	\$ 7,367,921
Excess (Deficiency) of Revenues Over Expenditures	\$ (542,319)	\$ 402,585	\$ (480)	\$ 86,512	\$ (53,702)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 72,210	\$ 43,853	\$ 0	\$ 0	\$ 116,063
Total Other Financing Sources (Uses)	\$ 72,210	\$ 43,853	\$ 0	\$ 0	\$ 116,063
Net Change in Fund Balances	\$ (470,109)	\$ 446,438	\$ (480)	\$ 86,512	\$ 62,361
Fund Balance, July 1, 2011	1,407,073	1,093,086	1,765,380	124,190	4,389,729
Fund Balance, June 30, 2012	\$ 936,964	\$ 1,539,524	\$ 1,764,900	\$ 210,702	\$ 4,452,090

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, 2012

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)		\$	62,361
(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	\$	362,934	
Less: current-year depreciation expense		<u>(388,582)</u>	(25,648)
(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	\$	(15,110)	
Less: proceeds received from disposal of capital assets		<u>(116,284)</u>	(131,394)
(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, 2012	\$	776,906	
Less: deferred delinquent property taxes and other deferred June 30, 2011		<u>(730,071)</u>	46,835
(4) 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.			
Add: principal payments on notes	\$	223,532	
Add: principal payments on other loans		471,000	
Add: principal payments on bonds		<u>24,794</u>	719,326
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest payable	\$	(6,391)	
Change in compensated absences payable		(2,903)	
Change in landfill closure/postclosure care costs		<u>(13,665)</u>	(22,959)
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>648,521</u></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, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 106,704
Due from Other Governments	<u>67,523</u>
Total Assets	<u>\$ 174,227</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 67,523
Due to Litigants, Heirs, and Others	<u>106,704</u>
Total Liabilities	<u>\$ 174,227</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, 2012

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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

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 Fund – The Other Capital Projects Fund accounts for grant proceeds received for water line construction for the City of Erin and construction of an emergency response center.

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

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

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

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

Special Revenue Funds – These funds account for 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.

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. 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. No investments required to be reported at fair value were held at the balance sheet date.

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 1.75 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 \$3,836,246 of restricted net assets, of which \$189,425 is restricted by enabling legislation.

As of June 30, 2012, Houston County had \$7,735,263 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, and shall remain binding unless removed in the same manner.

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.

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

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 Other Capital Projects Fund, which adopts 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, 2012, the Houston County School Department reported significant encumbrances of \$97,715 for buses in the General Purpose School Fund.

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 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. The county had no pooled and nonpooled investments as of June 30, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:				
	Balance			Balance
	7-1-11	Increases	Decreases	6-30-12
Capital Assets Not Depreciated:				
Land	\$ 697,592	\$ 2,316	\$ 0	\$ 699,908
Construction in Progress	830,023	67,958	(830,023)	67,958
Total Capital Assets				
Not Depreciated	\$ 1,527,615	\$ 70,274	\$ (830,023)	\$ 767,866

Governmental Activities (Cont.):				
	Balance			Balance
	7-1-11	Increases	Decreases	6-30-12
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 3,290,015	\$ 52,448	\$ (50,021)	\$ 3,292,442
Infrastructure	1,023,073	784,855	0	1,807,928
Other Capital Assets	4,470,434	285,380	(187,621)	4,568,193
Total Capital Assets				
Depreciated	\$ 8,783,522	\$ 1,122,683	\$ (237,642)	\$ 9,668,563
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 1,058,974	\$ 76,116	\$ (5,314)	\$ 1,129,776
Infrastructure	102,563	76,633	0	179,196
Other Capital Assets	3,593,519	235,833	(100,934)	3,728,418
Total Accumulated				
Depreciation	\$ 4,755,056	\$ 388,582	\$ (106,248)	\$ 5,037,390
Total Capital Assets				
Depreciated, Net	\$ 4,028,466	\$ 734,101	\$ (131,394)	\$ 4,631,173
Governmental Activities				
Capital Assets, Net	\$ 5,556,081	\$ 804,375	\$ (961,417)	\$ 5,399,039

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

Governmental Activities:

General Government	\$ 15,142
Finance	2,484
Administration of Justice	11,184
Public Safety	134,514
Public Health and Welfare	60,174
Social, Cultural, and Recreational Services	11,721
Agriculture and Natural Resources	1,537
Other Operations	34,123
Highway/Public Works	<u>117,703</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 388,582</u>
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Discretely Presented Houston County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 333,220	\$ 0	\$ 0	\$ 333,220
Construction in Progress	0	83,127	0	83,127
Total Capital Assets Not Depreciated	\$ 333,220	\$ 83,127	\$ 0	\$ 416,347
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,829,501	\$ 0	\$ 0	\$ 13,829,501
Other Capital Assets	2,816,777	174,222	(53,397)	2,937,602
Total Capital Assets Depreciated	\$ 16,646,278	\$ 174,222	\$ (53,397)	\$ 16,767,103
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,082,161	\$ 312,670	\$ 0	\$ 6,394,831
Other Capital Assets	1,583,050	165,352	(40,938)	1,707,464
Total Accumulated Depreciation	\$ 7,665,211	\$ 478,022	\$ (40,938)	\$ 8,102,295
Total Capital Assets Depreciated, Net	\$ 8,981,067	\$ (303,800)	\$ (12,459)	\$ 8,664,808
Governmental Activities Capital Assets, Net	\$ 9,314,287	\$ (220,673)	\$ (12,459)	\$ 9,081,155

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

Governmental Activities:

Instruction	\$ 208,991
Support Services	239,004
Operation of Non-Instructional Services	<u>30,027</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 478,022</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: Highway/Public Works	Component Unit: Emergency Communications District	\$ 70
General Debt Service	"	110,487

The receivable in the Highway/Public Works Fund was in transit from the Emergency Communications District at June 30, 2012.

Interfund Loans to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	Highway/Public Works	\$ 33,333

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, 2012, will be retired from the General Debt Service and Highway/Public Works funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	4 to 5 %	12-28-17	\$ 606,500	\$ 149,996
Capital Outlay Notes	3.29 to 4.64	7-9-19	1,641,499	1,102,838
Other Loans	variable	5-25-27	13,446,200	9,613,200

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, 2012, 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, 2012, the variable interest rates ranged from .25 to .32 percent for all loans. Other fees totaled .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, 2012, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 149,996	\$ 22,013	\$ 172,009

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 202,844	\$ 38,130	\$ 240,974
2014	607,831	26,605	634,436
2015	88,443	10,685	99,128
2016	88,889	7,429	96,318
2017	42,083	4,174	46,257
2018-2020	72,748	3,914	76,662
Total	\$ 1,102,838	\$ 90,937	\$ 1,193,775

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 494,000	\$ 30,159	\$ 49,047	\$ 573,206
2014	518,000	28,626	46,577	593,203
2015	544,000	27,019	43,987	615,006
2016	571,000	25,330	41,267	637,597
2017	600,000	23,557	38,412	661,969
2018-2022	3,307,200	88,302	144,502	3,540,004
2023-2027	3,579,000	33,442	56,510	3,668,952
Total	\$ 9,613,200	\$ 256,435	\$ 420,302	\$ 10,289,937

There is \$1,764,900 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$18, based on the 2010 federal census. Debt per capita, including bonds, notes, and other loans totaled \$1,290, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:	Other		
	Bonds	Notes	Loans
Balance, July 1, 2011	\$ 174,790	\$ 1,326,370	\$ 10,084,200
Reductions	(24,794)	(223,532)	(471,000)
Balance, June 30, 2012	\$ 149,996	\$ 1,102,838	\$ 9,613,200
Balance Due Within One Year	\$ 25,201	\$ 202,844	\$ 494,000

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2011	\$ 13,885	\$ 569,375
Additions	22,219	13,665
Reductions	(19,316)	0
Balance, June 30, 2012	<u>\$ 16,788</u>	<u>\$ 583,040</u>
Balance Due Within One Year	<u>\$ 840</u>	<u>\$ 48,587</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, 2012	\$ 11,465,862
Less: Balance Due Within One Year	<u>(771,472)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 10,694,390</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, 2012, was as follows:

Governmental Activities:	Other Postemployment Benefits
Balance, July 1, 2011	\$ 151,232
Additions	107,628
Reductions	<u>(32,000)</u>
Balance, June 30, 2012	<u>\$ 226,860</u>
Balance Due Within One Year	<u>\$ 0</u>

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

E. Pledges of Future Revenues

Component Unit Revenues Pledged for Primary Government Debt

The Houston County School Department has pledged to pay \$400,000 annually from its future revenues to the primary government's General Debt Service Fund to be applied toward the retirement of certain school debt. The related debt was issued by the primary government for the construction of a high school and is payable through 2027. Total principal, interest, and other fees remaining on the debt are approximately \$7,910,313 with annual requirements ranging from approximately \$401,961 in the next fiscal year to \$682,119 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 \$391,847 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, 2012, were \$17,807 and \$6,235, 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. Subsequent Events

On July, 10, 2012, Houston County issued capital outlay notes totaling \$200,000 for the construction of an emergency response center.

On August 31, 2012, Tyanne Morrison left the office of Assessor of Property and was succeeded by Joy Hooper.

C. Contingent Liabilities

The county and School Department are involved in several pending lawsuits. Their attorneys estimate that the potential claims not covered by insurance resulting from such litigation would not materially affect their financial statements.

D. 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 \$583,040 reported as postclosure care liability at June 30, 2012, represents amounts based on what it would cost to perform all postclosure care in 2012. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. 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.

F. 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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their 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, 2012, 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, 2012, 2011, and 2010, were \$468,971, \$460,762, and \$333,124, respectively, equal to the required contributions for each year.

G. 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 local education employees. Prior to reaching the age of 65, all members 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, 2012, the Houston County School Department contributed \$32,000 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 108,000
Interest on the NPO	6,049
Adjustment to the ARC	<u>(6,421)</u>
Annual OPEB cost	\$ 107,628
Less: Amount of contribution	<u>(32,000)</u>
Increase/decrease in NPO	\$ 75,628
Net OPEB obligation, 7-1-11	<u>151,232</u>
Net OPEB obligation, 6-30-12	<u><u>\$ 226,860</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 76,167	51%	\$ 107,628
6-30-11	"	79,255	45	151,232
6-30-12	"	107,628	30	226,860

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 985,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 985,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,668,280
UAAL as a % of covered payroll	37%

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, 2011, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

H. Purchasing Laws

Office of County Mayor

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, 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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,162,492	\$ 2,116,400	\$ 2,116,400	\$ 46,092
Licenses and Permits	3,344	3,700	3,700	(356)
Fines, Forfeitures, and Penalties	31,188	34,100	34,100	(2,912)
Charges for Current Services	551,308	579,800	641,300	(89,992)
Other Local Revenues	73,037	51,000	83,552	(10,515)
Fees Received from County Officials	260,298	267,000	267,000	(6,702)
State of Tennessee	309,716	597,631	508,856	(199,140)
Federal Government	153,531	6,934	239,919	(86,388)
Other Governments and Citizens Groups	94,739	93,000	93,000	1,739
Total Revenues	<u>\$ 3,639,653</u>	<u>\$ 3,749,565</u>	<u>\$ 3,987,827</u>	<u>\$ (348,174)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 71,025	\$ 48,795	\$ 76,151	\$ 5,126
Board of Equalization	951	1,748	1,748	797
Budget and Finance Committee	4,364	5,529	5,529	1,165
Other Boards and Committees	15,555	11,581	15,581	26
County Mayor/Executive	138,496	151,894	151,894	13,398
County Attorney	18,915	19,415	19,415	500
Election Commission	108,996	128,397	128,397	19,401
Register of Deeds	90,042	94,349	94,349	4,307
Planning	0	3,290	3,290	3,290
Building	350	7,500	7,500	7,150
Geographical Information Systems	56,822	58,499	58,499	1,677
County Buildings	70,111	81,523	81,523	11,412
Other General Administration	17,440	20,500	20,500	3,060
Preservation of Records	0	1,500	1,500	1,500
<u>Finance</u>				
Central Services	12,877	12,984	12,984	107
Property Assessor's Office	85,367	92,982	92,982	7,615
Reappraisal Program	7,831	8,643	8,643	812
County Trustee's Office	104,828	116,140	116,140	11,312
County Clerk's Office	81,573	90,890	90,890	9,317
Data Processing	22,230	21,622	25,666	3,436
Other Finance	2,958	0	2,958	0
<u>Administration of Justice</u>				
Circuit Court	123,404	141,751	141,751	18,347
General Sessions Judge	57,108	57,956	57,956	848
Chancery Court	90,013	92,891	92,891	2,878
Juvenile Court	47,167	54,629	54,629	7,462
District Attorney General	2,585	2,585	2,585	0
Judicial Commissioners	13,871	13,962	13,962	91
Other Administration of Justice	0	5,000	2,350	2,350

(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	\$ 467,788	\$ 483,244	\$ 487,121	\$ 19,333
Special Patrols	16,700	7,932	19,317	2,617
Drug Enforcement	2,860	3,000	3,000	140
Administration of the Sexual Offender Registry	250	2,000	2,000	1,750
Jail	469,360	491,172	494,536	25,176
Fire Prevention and Control	83,213	87,174	87,924	4,711
Rural Fire Protection	207,531	205,000	212,756	5,225
Other Emergency Management	150,812	159,343	159,343	8,531
County Coroner/Medical Examiner	11,558	12,000	12,000	442
<u>Public Health and Welfare</u>				
Local Health Center	33,193	38,110	38,110	4,917
Ambulance/Emergency Medical Services	719,953	707,762	769,612	49,659
Other Local Health Services	28,738	53,900	53,900	25,162
Regional Mental Health Center	117,791	48,462	173,462	55,671
Sanitation Education/Information	38,791	43,237	45,722	6,931
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	82,090	82,140	112,140	30,050
Libraries	119,348	121,470	121,471	2,123
Other Social, Cultural, and Recreational	35,400	35,400	35,400	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	37,807	38,327	38,327	520
Forest Service	684	849	849	165
Soil Conservation	8,770	12,005	12,005	3,235
<u>Other Operations</u>				
Tourism	36,126	44,462	51,935	15,809
Tourism-Resort District	21,855	167,000	167,000	145,145
Other Economic and Community Development	67,384	86,865	86,865	19,481
Airport	12,027	91,600	206,600	194,573
Veterans' Services	9,312	2,797	16,987	7,675
Contributions to Other Agencies	1,000	2,500	2,500	1,500
Employee Benefits	51,623	62,000	56,000	4,377
Payments to Cities	3,942	7,000	7,000	3,058
Miscellaneous	99,093	113,233	113,233	14,140
<u>Principal on Debt</u>				
General Government	0	400,000	400,000	400,000
<u>Interest on Debt</u>				
General Government	0	12,500	1,986	1,986
<u>Capital Projects</u>				
General Administration Projects	2,094	12,000	12,000	9,906
Total Expenditures	\$ 4,181,972	\$ 4,981,039	\$ 5,383,364	\$ 1,201,392
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (542,319)	\$ (1,231,474)	\$ (1,395,537)	\$ 853,218

(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>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 400,000	\$ 400,000	\$ (400,000)
Insurance Recovery	72,210	0	72,222	(12)
Total Other Financing Sources (Uses)	<u>\$ 72,210</u>	<u>\$ 400,000</u>	<u>\$ 472,222</u>	<u>\$ (400,012)</u>
Net Change in Fund Balance	\$ (470,109)	\$ (831,474)	\$ (923,315)	\$ 453,206
Fund Balance, July 1, 2011	1,407,073	1,332,513	1,332,513	74,560
Fund Balance, June 30, 2012	<u>\$ 936,964</u>	<u>\$ 501,039</u>	<u>\$ 409,198</u>	<u>\$ 527,766</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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 12,947	\$ 0	\$ 12,947	\$ 14,900	\$ 14,900	\$ (1,953)
Fines, Forfeitures, and Penalties	113	0	113	0	113	0
Other Local Revenues	48,550	0	48,550	36,000	56,757	(8,207)
State of Tennessee	1,468,336	0	1,468,336	1,675,500	1,675,500	(207,164)
Federal Government	770,011	0	770,011	223,300	793,311	(23,300)
Total Revenues	\$ 2,299,957	\$ 0	\$ 2,299,957	\$ 1,949,700	\$ 2,540,581	\$ (240,624)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 152,335	\$ 0	\$ 152,335	\$ 174,066	\$ 180,566	\$ 28,231
Highway and Bridge Maintenance	994,064	0	994,064	1,728,175	1,857,372	863,308
Operation and Maintenance of Equipment	165,428	0	165,428	228,600	228,600	63,172
Other Charges	42,914	0	42,914	50,250	50,250	7,336
Employee Benefits	196,337	0	196,337	258,300	258,300	61,963
Capital Outlay	318,580	(117,332)	201,248	458,000	534,000	332,752
Principal on Debt						
Highways and Streets	25,112	0	25,112	59,292	59,292	34,180
Interest on Debt						
Highways and Streets	2,602	0	2,602	2,602	2,602	0
Total Expenditures	\$ 1,897,372	\$ (117,332)	\$ 1,780,040	\$ 2,959,285	\$ 3,170,982	\$ 1,390,942
Excess (Deficiency) of Revenues Over Expenditures	\$ 402,585	\$ 117,332	\$ 519,917	\$ (1,009,585)	\$ (630,401)	\$ 1,150,318

(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)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 43,853 \$	0 \$	43,853 \$	20,703 \$	61,090 \$	(17,237)
Total Other Financing Sources (Uses)	\$ 43,853 \$	0 \$	43,853 \$	20,703 \$	61,090 \$	(17,237)
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 446,438 \$	117,332 \$	563,770 \$	(988,882) \$	(569,311) \$	1,133,081
	1,093,086	(117,332)	975,754	1,187,104	1,187,104	(211,350)
Fund Balance, June 30, 2012	\$ 1,539,524 \$	0 \$	1,539,524 \$	198,222 \$	617,793 \$	921,731

Exhibit E-3

Houston County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Houston County School Department
June 30, 2012

(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	7-1-09	\$ 0	\$ 715	\$ 715	0%	\$ 2,833	25%	
"	7-1-10	0	744	744	0	2,742	27	
"	7-1-11	0	985	985	0	2,668	37	

HOUSTON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

BUDGETARY INFORMATION

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

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

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for 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 Fund

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.

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 and construction of an emergency response center.

Exhibit F-1

Houston County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Other Capital Projects		Capital Projects	Nonmajor Governmental Funds	
\$	0	0	5,430	0	5,430	0	0	5,430
Equity in Pooled Cash and Investments	166,345	37,214	0	0	203,559	0	0	203,559
Accounts Receivable	249	0	20	0	269	0	0	269
Due from Other Governments	4,873	0	0	18,000	4,873	18,000	0	22,873
Property Taxes Receivable	246,652	0	0	0	246,652	0	0	246,652
Allowance for Uncollectible Property Taxes	(227,175)	0	0	0	(227,175)	0	0	(227,175)
Total Assets	\$ 190,944	\$ 37,214	\$ 5,450	\$ 18,000	\$ 233,608	\$ 18,000	\$ 0	\$ 251,608

ASSETS

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

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable
Contracts Payable
Deferred Revenue - Current Property Taxes
Deferred Revenue - Delinquent Property Taxes
Other Deferred Revenues
Total Liabilities

Fund Balances

Restricted:
Restricted for Public Safety
Restricted for Public Health and Welfare
Committed:
Committed for General Government
Committed for Finance
Committed for Public Health and Welfare
Total Fund Balances

Total Liabilities and Fund Balances

\$	81	0	0	0	81	0	0	81
	0	0	0	0	0	18,000	0	18,000
	3,966	0	0	0	3,966	0	0	3,966
	14,859	0	0	0	14,859	0	0	14,859
	4,000	0	0	0	4,000	0	0	4,000
\$	22,906	0	0	0	22,906	18,000	0	40,906
\$	0	37,214	0	0	37,214	0	0	37,214
	35,107	0	0	0	35,107	0	0	35,107
	0	0	206	0	206	0	0	206
	0	0	5,244	0	5,244	0	0	5,244
	132,931	0	0	0	132,931	0	0	132,931
\$	168,038	37,214	5,450	0	210,702	0	0	210,702
\$	190,944	37,214	5,450	18,000	233,608	18,000	0	251,608

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, 2012

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Other Capital Projects		Capital Projects Fund	Other Capital Projects	
<u>Revenues</u>								
Local Taxes	\$ 232,607	\$ 0	\$ 0	\$ 0	232,607	\$ 0	\$ 0	232,607
Fines, Forfeitures, and Penalties	0	4,594	0	0	4,594	0	0	4,594
Charges for Current Services	0	0	58,030	0	58,030	0	0	58,030
Other Local Revenues	6,227	28,542	0	0	34,769	0	0	34,769
State of Tennessee	55,837	0	0	0	55,837	0	0	55,837
Federal Government	0	0	0	0	0	130,293	0	130,293
Other Governments and Citizens Groups	0	1,250	0	0	1,250	10,279	0	11,529
Total Revenues	\$ 294,671	\$ 34,386	\$ 58,030	\$ 0	\$ 387,087	\$ 140,572	\$ 0	\$ 527,659
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 57,924	\$ 0	\$ 57,924	\$ 0	\$ 0	\$ 57,924
Public Safety	0	18,261	0	0	18,261	0	0	18,261
Public Health and Welfare	261,823	0	0	0	261,823	0	0	261,823
Other Operations	5,165	0	0	0	5,165	97,974	0	103,139
Total Expenditures	\$ 266,988	\$ 18,261	\$ 57,924	\$ 0	\$ 343,173	\$ 97,974	\$ 0	\$ 441,147
Excess (Deficiency) of Revenues Over Expenditures	\$ 27,683	\$ 16,125	\$ 106	\$ 0	\$ 43,914	\$ 42,598	\$ 0	\$ 86,512
Net Change in Fund Balances	\$ 27,683	\$ 16,125	\$ 106	\$ 0	\$ 43,914	\$ 42,598	\$ 0	\$ 86,512
Fund Balance, July 1, 2011	140,355	21,089	5,344	0	166,788	(42,598)	0	124,190
Fund Balance, June 30, 2012	\$ 168,038	\$ 37,214	\$ 5,450	\$ 0	\$ 210,702	\$ 0	\$ 0	\$ 210,702

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 232,607	\$ 230,250	\$ 230,250	\$ 2,357
Other Local Revenues	6,227	5,000	5,000	1,227
State of Tennessee	55,837	48,000	48,000	7,837
Federal Government	0	10,000	10,000	(10,000)
Total Revenues	\$ 294,671	\$ 293,250	\$ 293,250	\$ 1,421
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 260,578	\$ 289,300	\$ 289,300	\$ 28,722
Landfill Operation and Maintenance	1,245	10,000	10,000	8,755
<u>Other Operations</u>				
Other Charges	5,165	5,000	6,000	835
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	4,700	4,700
Total Expenditures	\$ 266,988	\$ 472,000	\$ 472,000	\$ 205,012
Excess (Deficiency) of Revenues Over Expenditures	\$ 27,683	\$ (178,750)	\$ (178,750)	\$ 206,433
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 150,000	\$ 150,000	\$ (150,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 150,000	\$ 150,000	\$ (150,000)
Net Change in Fund Balance	\$ 27,683	\$ (28,750)	\$ (28,750)	\$ 56,433
Fund Balance, July 1, 2011	140,355	138,348	138,348	2,007
Fund Balance, June 30, 2012	\$ 168,038	\$ 109,598	\$ 109,598	\$ 58,440

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 4,594	\$ 9,000	\$ 9,000	\$ (4,406)
Other Local Revenues	28,542	0	2,034	26,508
State of Tennessee	0	0	3,600	(3,600)
Other Governments and Citizens Groups	1,250	0	1,000	250
Total Revenues	<u>\$ 34,386</u>	<u>\$ 9,000</u>	<u>\$ 15,634</u>	<u>\$ 18,752</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 18,261	\$ 9,000	\$ 24,234	\$ 5,973
Total Expenditures	<u>\$ 18,261</u>	<u>\$ 9,000</u>	<u>\$ 24,234</u>	<u>\$ 5,973</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 16,125</u>	<u>\$ 0</u>	<u>\$ (8,600)</u>	<u>\$ 24,725</u>
Net Change in Fund Balance	\$ 16,125	\$ 0	\$ (8,600)	\$ 24,725
Fund Balance, July 1, 2011	<u>21,089</u>	<u>21,090</u>	<u>21,090</u>	<u>(1)</u>
Fund Balance, June 30, 2012	<u><u>\$ 37,214</u></u>	<u><u>\$ 21,090</u></u>	<u><u>\$ 12,490</u></u>	<u><u>\$ 24,724</u></u>

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 353,206	\$ 309,400	\$ 309,400	\$ 43,806
Charges for Current Services	2,699	400,000	0	2,699
Other Local Revenues	8,766	0	0	8,766
State of Tennessee	5,813	60,000	60,000	(54,187)
Federal Government	0	33,333	33,333	(33,333)
Other Governments and Citizens Groups	476,466	37,500	507,525	(31,059)
Total Revenues	\$ 846,950	\$ 840,233	\$ 910,258	\$ (63,308)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 313,658	\$ 661,867	\$ 325,864	\$ 12,206
Education	380,556	55,556	380,556	0
<u>Interest on Debt</u>				
General Government	65,195	577,150	595,440	530,245
Education	80,257	16,800	89,791	9,534
<u>Other Debt Service</u>				
General Government	7,764	12,000	12,000	4,236
Total Expenditures	\$ 847,430	\$ 1,323,373	\$ 1,403,651	\$ 556,221
Excess (Deficiency) of Revenues Over Expenditures	\$ (480)	\$ (483,140)	\$ (493,393)	\$ 492,913
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 0	\$ 63,881	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 63,881	\$ 0	\$ 0
Net Change in Fund Balance	\$ (480)	\$ (419,259)	\$ (493,393)	\$ 492,913
Fund Balance, July 1, 2011	1,765,380	1,532,649	1,532,649	232,731
Fund Balance, June 30, 2012	\$ 1,764,900	\$ 1,113,390	\$ 1,039,256	\$ 725,644

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, 2012

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 106,704	\$ 106,704
Due from Other Governments	67,523	0	67,523
Total Assets	<u>\$ 67,523</u>	<u>\$ 106,704</u>	<u>\$ 174,227</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 67,523	\$ 0	\$ 67,523
Due to Litigants, Heirs, and Others	0	106,704	106,704
Total Liabilities	<u>\$ 67,523</u>	<u>\$ 106,704</u>	<u>\$ 174,227</u>

Exhibit H-2

Houston County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 420,927	\$ 420,927	\$ 0
Due from Other Governments	68,084	67,523	68,084	67,523
Total Assets	\$ 68,084	\$ 488,450	\$ 489,011	\$ 67,523
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 68,084	\$ 488,450	\$ 489,011	\$ 67,523
Total Liabilities	\$ 68,084	\$ 488,450	\$ 489,011	\$ 67,523
Constitutional Officers - Agency Fund				
<u>Assets</u>				
Cash	\$ 219,675	\$ 1,434,817	\$ 1,547,788	\$ 106,704
Investments	569	0	569	0
Total Assets	\$ 220,244	\$ 1,434,817	\$ 1,548,357	\$ 106,704
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 220,244	\$ 1,434,817	\$ 1,548,357	\$ 106,704
Total Liabilities	\$ 220,244	\$ 1,434,817	\$ 1,548,357	\$ 106,704
Totals - All Agency Funds				
<u>Assets</u>				
Cash	\$ 219,675	\$ 1,434,817	\$ 1,547,788	\$ 106,704
Equity in Pooled Cash and Investments	0	420,927	420,927	0
Investments	569	0	569	0
Due from Other Governments	68,084	67,523	68,084	67,523
Total Assets	\$ 288,328	\$ 1,923,267	\$ 2,037,368	\$ 174,227
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 68,084	\$ 488,450	\$ 489,011	\$ 67,523
Due to Litigants, Heirs, and Others	220,244	1,434,817	1,548,357	106,704
Total Liabilities	\$ 288,328	\$ 1,923,267	\$ 2,037,368	\$ 174,227

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, 2012

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	\$ 6,548,738	\$ 4,727	\$ 741,864	\$ 0	\$ 0	\$ 0	\$ (5,802,147)	
Support Services	3,774,616	16,578	197,931	0	0	0	(3,560,107)	
Operation of Non-Instructional Services	1,253,264	310,757	854,561	7,877	0	0	(80,069)	
Other Debt Service	468,966	0	0	0	0	0	(468,966)	
Total Governmental Activities	\$ 12,045,584	\$ 332,062	\$ 1,794,356	\$ 7,877	\$ 7,877	\$ 7,877	\$ (9,911,289)	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes							\$ 676,385	
Local Option Sales Taxes							532,862	
Other Local Taxes							32,226	
Grants and Contributions Not Restricted to Specific Programs							8,898,487	
Unrestricted Investment Income							49,177	
Miscellaneous							22,405	
Total General Revenues							\$ 10,211,542	
Change in Net Assets							\$ 300,253	
Net Assets, July 1, 2011							13,819,680	
Net Assets, June 30, 2012							\$ 14,119,933	

Exhibit I-2

Houston County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Houston County School Department
June 30, 2012

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 4,862,989	\$ 174,895	\$ 5,037,884
Accounts Receivable	4,590	0	4,590
Due from Other Governments	293,999	62,869	356,868
Property Taxes Receivable	726,252	0	726,252
Allowance for Uncollectible Property Taxes	(23,394)	0	(23,394)
Accrued Interest Receivable	28,176	1,483	29,659
Total Assets	\$ 5,892,612	\$ 239,247	\$ 6,131,859
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 45,006	\$ 22,726	\$ 67,732
Payroll Deductions Payable	85,023	6,482	91,505
Contracts Payable	49,797	0	49,797
Deferred Revenue - Current Property Taxes	657,187	0	657,187
Deferred Revenue - Delinquent Property Taxes	43,750	0	43,750
Other Deferred Revenues	72,459	1,327	73,786
Total Liabilities	\$ 953,222	\$ 30,535	\$ 983,757
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 494	\$ 0	\$ 494
Restricted for Operation of Non-Instructional Services	0	208,712	208,712
Committed:			
Committed for Instruction	100,000	0	100,000
Committed for Capital Outlay	500,000	0	500,000
Assigned:			
Assigned for Education	129,755	0	129,755
Unassigned	4,209,141	0	4,209,141
Total Fund Balances	\$ 4,939,390	\$ 208,712	\$ 5,148,102
Total Liabilities and Fund Balances	\$ 5,892,612	\$ 239,247	\$ 6,131,859

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, 2012

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)		\$	5,148,102
(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: construction in progress		83,127	
Add: buildings and improvements net of accumulated depreciation		7,434,670	
Add: other capital assets net of accumulated depreciation		<u>1,230,138</u>	9,081,155
(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			(226,860)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>117,536</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>14,119,933</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, 2012

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	
	Purpose	Govern-	Total
	School	mental	Governmental
		Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 1,239,550	\$ 0	\$ 1,239,550
Licenses and Permits	728	0	728
Charges for Current Services	21,305	310,757	332,062
Other Local Revenues	86,423	3,519	89,942
State of Tennessee	9,067,965	755	9,068,720
Federal Government	0	1,617,338	1,617,338
Total Revenues	<u>\$ 10,415,971</u>	<u>\$ 1,932,369</u>	<u>\$ 12,348,340</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,111,254	\$ 1,037,482	\$ 6,148,736
Support Services	3,794,692	47,993	3,842,685
Operation of Non-Instructional Services	372,868	836,212	1,209,080
Capital Outlay	83,127	0	83,127
Debt Service:			
Other Debt Service	468,966	0	468,966
Total Expenditures	<u>\$ 9,830,907</u>	<u>\$ 1,921,687</u>	<u>\$ 11,752,594</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 585,064</u>	<u>\$ 10,682</u>	<u>\$ 595,746</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 15,770	\$ 0	\$ 15,770
Total Other Financing Sources (Uses)	<u>\$ 15,770</u>	<u>\$ 0</u>	<u>\$ 15,770</u>
Net Change in Fund Balances	\$ 600,834	\$ 10,682	\$ 611,516
Fund Balance, July 1, 2011	<u>4,338,556</u>	<u>198,030</u>	<u>4,536,586</u>
Fund Balance, June 30, 2012	<u>\$ 4,939,390</u>	<u>\$ 208,712</u>	<u>\$ 5,148,102</u>

Exhibit I-5

Houston County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Houston County School Department
For the Year Ended June 30, 2012

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)		\$ 611,516
(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	\$ 257,349	
Less: current-year depreciation expense	<u>(478,022)</u>	(220,673)
(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		(12,459)
(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, 2012	\$ 117,536	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(120,039)</u>	(2,503)
(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>(75,628)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 300,253</u>

Exhibit I-6

Houston County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Houston County School Department
June 30, 2012

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 6,300	\$ 168,595	\$ 174,895
Due from Other Governments	22,908	39,961	62,869
Accrued Interest Receivable	0	1,483	1,483
Total Assets	<u>\$ 29,208</u>	<u>\$ 210,039</u>	<u>\$ 239,247</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 22,726	\$ 0	\$ 22,726
Payroll Deductions Payable	6,482	0	6,482
Other Deferred Revenues	0	1,327	1,327
Total Liabilities	<u>\$ 29,208</u>	<u>\$ 1,327</u>	<u>\$ 30,535</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Operation of Non-Instructional Services	\$ 0	\$ 208,712	\$ 208,712
Total Fund Balances	<u>\$ 0</u>	<u>\$ 208,712</u>	<u>\$ 208,712</u>
Total Liabilities and Fund Balances	<u>\$ 29,208</u>	<u>\$ 210,039</u>	<u>\$ 239,247</u>

Exhibit I-7

Houston County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Houston County School Department
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 310,757	\$ 310,757
Other Local Revenues	0	3,519	3,519
State of Tennessee	0	755	755
Federal Government	1,075,535	541,803	1,617,338
Total Revenues	<u>\$ 1,075,535</u>	<u>\$ 856,834</u>	<u>\$ 1,932,369</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,037,482	\$ 0	\$ 1,037,482
Support Services	47,993	0	47,993
Operation of Non-Instructional Services	0	836,212	836,212
Total Expenditures	<u>\$ 1,085,475</u>	<u>\$ 836,212</u>	<u>\$ 1,921,687</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (9,940)</u>	<u>\$ 20,622</u>	<u>\$ 10,682</u>
Net Change in Fund Balances	\$ (9,940)	\$ 20,622	\$ 10,682
Fund Balance, July 1, 2011	9,940	188,090	198,030
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 208,712</u>	<u>\$ 208,712</u>

Exhibit I-8

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Houston County School Department
General Purpose School Fund
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,239,550	\$ 0	\$ 0	\$ 1,239,550	\$ 1,169,000	\$ 1,169,000	\$ 70,550
Licenses and Permits	728	0	0	728	500	500	228
Charges for Current Services	21,305	0	0	21,305	14,500	14,500	6,805
Other Local Revenues	86,423	0	0	86,423	105,200	105,200	(18,777)
State of Tennessee	9,067,965	0	0	9,067,965	8,890,223	8,915,465	152,500
Federal Government	0	0	0	0	500	500	(500)
Total Revenues	\$ 10,415,971	\$ 0	\$ 0	\$ 10,415,971	\$ 10,179,923	\$ 10,205,165	\$ 210,806
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,265,113	\$ 0	\$ 0	\$ 4,265,113	\$ 4,647,500	\$ 4,647,500	\$ 382,387
Special Education Program	571,431	0	0	571,431	715,000	715,000	143,569
Vocational Education Program	274,710	0	0	274,710	300,500	300,500	25,790
<u>Support Services</u>							
Attendance	32,315	0	0	32,315	34,100	34,100	1,785
Health Services	22,589	0	0	22,589	45,000	45,000	22,411
Other Student Support	270,666	(1,285)	0	269,381	298,000	298,000	28,619
Regular Instruction Program	539,337	0	0	539,337	596,100	596,100	56,763
Alternative Instruction Program	60,366	0	0	60,366	65,750	65,750	5,384
Special Education Program	108,672	0	0	108,672	126,500	126,500	17,828
Vocational Education Program	0	0	0	0	4,000	4,000	4,000
Other Programs	24,042	0	0	24,042	0	24,042	0
Board of Education	286,822	0	0	286,822	300,000	300,000	13,178
Director of Schools	182,983	0	0	182,983	193,050	193,050	10,067

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 576,370	\$ 0	\$ 0	\$ 576,370	\$ 622,500	\$ 623,700	\$ 47,330
Fiscal Services	106,588	0	0	106,588	125,750	125,750	19,162
Operation of Plant	789,015	0	0	789,015	845,000	825,000	35,985
Maintenance of Plant	181,106	0	0	181,106	201,600	201,600	20,494
Transportation	613,821	(154,222)	79,715	539,314	610,600	630,600	91,286
Central and Other	0	0	0	0	5,000	5,000	5,000
<u>Operation of Non-Instructional Services</u>							
Food Service	31,107	0	0	31,107	33,000	33,000	1,893
Community Services	29,269	0	0	29,269	29,611	29,611	342
Early Childhood Education	312,492	(20,000)	18,000	310,492	311,622	311,622	1,130
<u>Capital Outlay</u>							
Regular Capital Outlay	83,127	0	32,040	115,167	212,500	212,500	97,333
<u>Principal on Debt</u>							
Education	0	0	0	0	470,000	0	0
Interest on Debt	0	0	0	0	10,000	0	0
Education	0	0	0	0	0	0	0
<u>Other Debt Service</u>							
Education	468,966	0	0	468,966	0	480,000	11,034
Total Expenditures	\$ 9,830,907	\$ (175,507)	\$ 129,755	\$ 9,785,155	\$ 10,802,683	\$ 10,827,925	\$ 1,042,770
Excess (Deficiency) of Revenues Over Expenditures	\$ 585,064	\$ 175,507	\$ (129,755)	\$ 630,816	\$ (622,760)	\$ (622,760)	\$ 1,253,576
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 15,770	\$ 0	\$ 0	\$ 15,770	\$ 5,000	\$ 5,000	\$ 10,770
Total Other Financing Sources (Uses)	\$ 15,770	\$ 0	\$ 0	\$ 15,770	\$ 5,000	\$ 5,000	\$ 10,770
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ 600,834	\$ 175,507	\$ (129,755)	\$ 646,586	\$ (617,760)	\$ (617,760)	\$ 1,264,346
	4,338,556	(175,507)	0	4,163,049	1,643,560	1,643,560	2,519,489
Fund Balance, June 30, 2012	\$ 4,939,390	\$ 0	\$ (129,755)	\$ 4,809,635	\$ 1,025,800	\$ 1,025,800	\$ 3,783,835

Exhibit I-9

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Houston County School Department
School Federal Projects Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,075,535	\$ 1,508,729	\$ 1,563,271	\$ (487,736)
Total Revenues	\$ 1,075,535	\$ 1,508,729	\$ 1,563,271	\$ (487,736)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 760,458	\$ 1,034,116	\$ 1,010,280	\$ 249,822
Special Education Program	261,290	353,314	360,325	99,035
Vocational Education Program	15,734	13,944	17,084	1,350
<u>Support Services</u>				
Other Student Support	6,512	9,374	6,549	37
Regular Instruction Program	38,613	94,652	165,298	126,685
Special Education Program	2,284	2,000	3,000	716
Vocational Education Program	584	1,050	735	151
Total Expenditures	\$ 1,085,475	\$ 1,508,450	\$ 1,563,271	\$ 477,796
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,940)	\$ 279	\$ 0	\$ (9,940)
Net Change in Fund Balance	\$ (9,940)	\$ 279	\$ 0	\$ (9,940)
Fund Balance, July 1, 2011	9,940	9,699	9,699	241
Fund Balance, June 30, 2012	\$ 0	\$ 9,978	\$ 9,699	\$ (9,699)

Exhibit I-10

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Houston County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 310,757	\$ 361,500	\$ 361,500	\$ (50,743)
Other Local Revenues	3,519	11,000	11,000	(7,481)
State of Tennessee	755	1,500	1,500	(745)
Federal Government	541,803	422,000	461,616	80,187
Total Revenues	<u>\$ 856,834</u>	<u>\$ 796,000</u>	<u>\$ 835,616</u>	<u>\$ 21,218</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 836,212	\$ 796,000	\$ 836,216	\$ 4
Total Expenditures	<u>\$ 836,212</u>	<u>\$ 796,000</u>	<u>\$ 836,216</u>	<u>\$ 4</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,622</u>	<u>\$ 0</u>	<u>\$ (600)</u>	<u>\$ 21,222</u>
Net Change in Fund Balance	\$ 20,622	\$ 0	\$ (600)	\$ 21,222
Fund Balance, July 1, 2011	188,090	105,649	105,649	82,441
Fund Balance, June 30, 2012	<u>\$ 208,712</u>	<u>\$ 105,649</u>	<u>\$ 105,049</u>	<u>\$ 103,663</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, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Paid and/or Matured During Period	Outstanding 6-30-12
NOTES PAYABLE							
<u>Payable through Highway/Public Works Fund</u>							
Highway Department Trucks and Supplies	\$ 77,877	3.296 %	12-3-10	12-3-13	\$ 77,877	\$ 25,112	\$ 52,765
Total Payable through Highway/Public Works Fund					\$ 77,877	\$ 25,112	\$ 52,765
<u>Payable through General Debt Service Fund</u>							
E-911 Communications Tower and Equipment	221,000	3.99	8-17-05	9-29-17	\$ 128,917	\$ 18,417	\$ 110,500
Fire Station Buildings and Equipment	110,000	3.69	4-11-07	4-11-19	73,333	9,166	64,167
Convenience Center Front End Loader (Extension)	82,716	3.69	6-27-07	6-10-16	45,954	9,191	36,763
Health Department Addition (Extension)	45,000	3.69	6-27-07	6-10-16	25,000	5,000	20,000
Patrol Vehicles and Equipment	71,244	4.64	12-12-07	12-12-11	17,811	17,811	0
Library Equipment	10,000	3.99	12-9-08	10-9-12	5,000	2,500	2,500
Library Renovation	75,000	3.29	4-8-09	4-8-19	60,000	7,500	52,500
Ambulance and Equipment	107,027	3.99	12-11-08	12-11-15	76,447	15,290	61,157
Airport Maintenance	70,000	3.39	7-9-09	7-9-19	63,000	7,000	56,000
Fire Department Equipment and Supplies	100,000	3.39	7-28-09	7-28-15	83,333	16,667	66,666
School Repair	500,000	3.31	12-20-10	12-1-13	426,819	55,556	371,263
Ambulance	92,879	3.89	12-17-10	12-17-13	92,879	17,656	75,223
Fire Engine and Equipment	150,000	3.49	6-14-11	6-14-14	150,000	16,666	133,334
Total Payable through General Debt Service Fund					\$ 1,248,493	\$ 198,420	\$ 1,050,073
Total Notes Payable					\$ 1,326,370	\$ 223,532	\$ 1,102,838
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	\$ 1,254,000	\$ 71,000	\$ 1,183,000
School Construction	10,000,000	variable	1-31-00	5-25-27	7,689,000	325,000	7,364,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	752,000	35,000	717,000
Jail Construction and Courthouse Renovations	646,200	(1) variable	4-26-02	5-25-27	389,200	40,000	349,200
Total Other Loans Payable					\$ 10,084,200	\$ 471,000	\$ 9,613,200
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	\$ 104,000	\$ 16,000	\$ 88,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	70,790	8,794	61,996
Total Bonds Payable					\$ 174,790	\$ 24,794	\$ 149,996

(1) Total amount approved was \$1,200,000, of which \$553,800 remained available for draws as of June 30, 2012.

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 202,844	\$ 38,130	\$ 240,974
2014	607,831	26,605	634,436
2015	88,443	10,685	99,128
2016	88,889	7,429	96,318
2017	42,083	4,174	46,257
2018	42,082	2,617	44,699
2019	23,666	1,060	24,726
2020	7,000	237	7,237
Total	\$ 1,102,838	\$ 90,937	\$ 1,193,775

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 494,000	\$ 30,159	\$ 49,047	\$ 573,206
2014	518,000	28,626	46,577	593,203
2015	544,000	27,019	43,987	615,006
2016	571,000	25,330	41,267	637,597
2017	600,000	23,557	38,412	661,969
2018	631,000	21,695	35,412	688,107
2019	662,000	19,737	32,257	713,994
2020	645,200	17,682	28,947	691,829
2021	668,000	15,649	25,613	709,262
2022	701,000	13,539	22,273	736,812
2023	737,000	11,324	18,768	767,092
2024	774,000	8,995	15,083	798,078
2025	679,000	6,550	11,049	696,599
2026	713,000	4,410	7,654	725,064
2027	676,000	2,163	3,956	682,119
Total	\$ 9,613,200	\$ 256,435	\$ 420,302	\$ 10,289,937

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 149,996	\$ 22,013	\$ 172,009

Exhibit J-3

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, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 65,587	\$ 25,000	Auto Owners Insurance Company
Road Superintendent	Section 8-24-102, TCA	62,465	100,000	"
Director of Schools	State Board of Education and County Board of Education	88,210 (1)	100,000	Western Surety Company
Trustee	Section 8-24-102, TCA	56,785	448,500	Auto Owners Insurance Company
Assessor of Property	Section 8-24-102, TCA	56,785	25,000	"
County Clerk	Section 8-24-102, TCA	56,785	25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	56,785	50,000	"
Clerk and Master	Section 8-24-102, TCA	56,785	50,000	"
Register	Section 8-24-102, TCA	56,785	25,000	"
Sheriff	Section 8-24-102, TCA	62,466 (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.

Exhibit J-4

Houston County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2012

	Special Revenue Funds				Highway / Public Works	Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees				
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,799,559	\$ 208,982	\$ 0	\$ 0	\$ 11,610	\$ 23,222	\$ 0	\$ 2,043,373
Discount on Property Taxes	(15,989)	(1,858)	0	0	(101)	(209)	0	(18,157)
Trustee's Collections - Prior Year	108,089	12,552	0	0	697	1,395	0	122,733
Trustee's Collections - Bankruptcy	4,576	449	0	0	30	142	0	5,197
Circuit/Clerk & Master Collections - Prior Years	35,256	4,094	0	0	227	455	0	40,032
Interest and Penalty	20,175	2,340	0	0	129	265	0	22,909
Pick-up Taxes	81	9	0	0	1	1	0	92
Payments in-Lieu-of Taxes - T.V.A.	0	0	0	0	14	82	0	96
Payments in-Lieu-of Taxes - Local Utilities	28,938	3,295	0	0	187	367	0	32,787
<u>County Local Option Taxes</u>								
Local Option Sales Tax	109,322	0	0	0	0	0	0	109,322
Hotel/Motel Tax	13,445	0	0	0	0	0	0	13,445
Wheel Tax	0	0	0	0	0	321,206	0	321,206
Litigation Tax - General	15,713	0	0	0	0	0	0	15,713
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	5,975	0	5,975
Business Tax	0	2,744	0	0	153	305	0	3,202
<u>Statutory Local Taxes</u>								
Bank Excise Tax	13,623	0	0	0	0	0	0	13,623
Wholesale Beer Tax	29,362	0	0	0	0	0	0	29,362
Interstate Telecommunications Tax	342	0	0	0	0	0	0	342
<u>Total Local Taxes</u>	<u>\$ 2,162,492</u>	<u>\$ 232,607</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,947</u>	<u>\$ 353,206</u>	<u>\$ 0</u>	<u>\$ 2,761,252</u>
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 3,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,344
Total Licenses and Permits	<u>\$ 3,344</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,344</u>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 2,868	\$ 0	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,868

(Continued)

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

	Special Revenue Funds					Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Officers Costs	\$ 3,347	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,347
Drug Control Fines	0	0	475	0	0	475
Jail Fees	497	0	0	0	0	497
Data Entry Fee - Circuit Court	198	0	0	0	0	198
<u>General Sessions Court</u>						
Fines	5,701	0	0	0	113	5,814
Officers Costs	10,468	0	0	0	0	10,468
Game and Fish Fines	227	0	0	0	0	227
Drug Control Fines	0	0	3,119	0	0	3,119
Jail Fees	1,544	0	0	0	0	1,544
DUI Treatment Fines	2,038	0	0	0	0	2,038
Data Entry Fee - General Sessions Court	864	0	0	0	0	864
<u>Juvenile Court</u>						
Fines	48	0	0	0	0	48
Officers Costs	221	0	0	0	0	221
Data Entry Fee - Juvenile Court	116	0	0	0	0	116
<u>Chancery Court</u>						
Officers Costs	1,687	0	0	0	0	1,687
Data Entry Fee - Chancery Court	932	0	0	0	0	932
Courtroom Security Fee	432	0	0	0	0	432
Total Fines, Forfeitures, and Penalties	\$ 31,188	\$ 0	\$ 4,594	\$ 0	\$ 113	\$ 35,895
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 491,988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 491,988
Other General Service Charges	39,036	0	0	0	2,699	41,735
<u>Fees</u>						
Airport Fees	3,675	0	0	0	0	3,675
Copy Fees	5	0	0	0	0	5
Archives and Records Management Fee - County Clerk	4,112	0	0	0	0	4,112

(Continued)

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

	Special Revenue Funds					Total	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works		Debt Service Fund
<u>Charges for Current Services (Cont.)</u>							
<u>Fees (Cont.)</u>							
Telephone Commissions	\$ 8,290	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,290
Constitutional Officers' Fees and Commissions	0	0	0	58,030	0	0	58,030
Data Processing Fee - Register	2,614	0	0	0	0	0	2,614
Sexual Offender Registration Fees - Sheriff	1,200	0	0	0	0	0	1,200
Data Processing Fee - County Clerk	388	0	0	0	0	0	388
Total Charges for Current Services	\$ 551,308	\$ 0	\$ 0	\$ 58,030	\$ 0	\$ 2,699	\$ 612,037
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Lease/Rentals	\$ 39,425	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,425
Sale of Materials and Supplies	6,867	0	0	0	0	0	6,867
Commissary Sales	3,307	0	0	0	0	0	3,307
Sale of Gasoline	0	0	0	0	26,184	0	26,184
Sale of Recycled Materials	0	6,023	0	0	0	0	6,023
Miscellaneous Refunds	6,156	204	0	0	1,609	8,766	16,735
Nonrecurring Items							
Sale of Equipment	1,577	0	28,542	0	20,757	0	50,876
Other Local Revenues	15,705	0	0	0	0	0	15,705
Total Other Local Revenues	\$ 73,037	\$ 6,227	\$ 28,542	\$ 0	\$ 48,550	\$ 8,766	\$ 165,122
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,000
Trustee	112,766	0	0	0	0	0	112,766
Other Officials	2,644	0	0	0	0	0	2,644
Fees in-Lieu-of Salary							
Circuit Court Clerk	21,610	0	0	0	0	0	21,610
General Sessions Court Clerk	31,594	0	0	0	0	0	31,594
Clerk and Master	36,870	0	0	0	0	0	36,870

(Continued)

Exhibit J-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees in-Lieu-of Salary (Cont.)</u>							
Juvenile Court Clerk	\$ 3,811	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,811
Register	28,162	0	0	0	0	0	28,162
Sheriff	2,841	0	0	0	0	0	2,841
Total Fees Received from County Officials	\$ 260,298	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 260,298
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 63,418	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,418
Other General Government Grants	28,738	0	0	0	0	0	28,738
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	7,200	0	0	0	0	0	7,200
Safe and Drug-free Schools and Communities	12,000	0	0	0	0	0	12,000
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	90,728	0	90,728
State Aid Program	0	0	0	0	112,932	0	112,932
Litter Program	42,232	0	0	0	0	0	42,232
<u>Other State Revenues</u>							
Income Tax	0	681	0	0	114	0	795
Resort District Sales Tax	79,300	0	0	0	0	0	79,300
Beer Tax	18,421	0	0	0	0	0	18,421
Alcoholic Beverage Tax	0	18,677	0	0	0	0	18,677
State Revenue Sharing - T.V.A.	0	36,479	0	0	5,413	0	41,892
Contracted Prisoner Boarding	4,757	0	0	0	0	5,813	10,570
Gasoline and Motor Fuel Tax	0	0	0	0	1,254,083	0	1,254,083
Petroleum Special Tax	0	0	0	0	5,066	0	5,066
Registrar's Salary Supplement	36,964	0	0	0	0	0	36,964
Other State Grants	5,067	0	0	0	0	0	5,067
Other State Revenues	11,619	0	0	0	0	0	11,619
Total State of Tennessee	\$ 309,716	\$ 55,837	\$ 0	\$ 0	\$ 1,468,336	\$ 5,813	\$ 1,839,702

(Continued)

Exhibit J-4

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
Federal Government								
<u>Federal Through State</u>								
Community Development	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	130,293 \$	130,293
Disaster Relief	12,389	0	0	0	770,011	0	0	782,400
Homeland Security Grants	5,818	0	0	0	0	0	0	5,818
Law Enforcement Grants	9,807	0	0	0	0	0	0	9,807
Other Federal through State	125,517	0	0	0	0	0	0	125,517
Total Federal Government	\$ 153,531 \$	0 \$	0 \$	0 \$	770,011 \$	0 \$	130,293 \$	1,053,835
Other Governments and Citizens Groups								
<u>Other Governments</u>								
Contributions	78,000 \$	0 \$	0 \$	0 \$	0 \$	468,966 \$	10,279 \$	557,245
Contracted Services	16,739	0	0	0	0	7,500	0	24,239
Citizens Groups								
Donations	0	0	1,250	0	0	0	0	1,250
Total Other Governments and Citizens Groups	\$ 94,739 \$	0 \$	1,250 \$	0 \$	0 \$	476,466 \$	10,279 \$	582,734
Total	\$ 3,639,653 \$	294,671 \$	34,386 \$	58,030 \$	2,299,957 \$	846,950 \$	140,572 \$	7,314,219

Exhibit J-5

Houston County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Houston County School Department
For the Year Ended June 30, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 615,333	\$ 0	\$ 0	\$ 615,333
Discount on Property Taxes	(5,465)	0	0	(5,465)
Trustee's Collections - Prior Year	36,959	0	0	36,959
Trustee's Collections - Bankruptcy	1,565	0	0	1,565
Circuit/Clerk & Master Collections - Prior Years	12,055	0	0	12,055
Interest and Penalty	6,898	0	0	6,898
Pick-up Taxes	28	0	0	28
Payments in-Lieu-of Taxes - T.V.A.	950	0	0	950
Payments in-Lieu-of Taxes - Local Utilities	9,895	0	0	9,895
<u>County Local Option Taxes</u>				
Local Option Sales Tax	529,128	0	0	529,128
Business Tax	31,703	0	0	31,703
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	501	0	0	501
Total Local Taxes	\$ 1,239,550	\$ 0	\$ 0	\$ 1,239,550
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 728	\$ 0	\$ 0	\$ 728
Total Licenses and Permits	\$ 728	\$ 0	\$ 0	\$ 728
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 4,577	\$ 0	\$ 0	\$ 4,577
Tuition - Summer School	150	0	0	150
Lunch Payments - Children	0	0	131,790	131,790
Lunch Payments - Adults	0	0	23,758	23,758
Income from Breakfast	0	0	18,883	18,883
A la carte Sales	0	0	136,326	136,326
Receipts from Individual Schools	16,578	0	0	16,578
Total Charges for Current Services	\$ 21,305	\$ 0	\$ 310,757	\$ 332,062
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 63,685	\$ 0	\$ 3,352	\$ 67,037
Miscellaneous Refunds	20,613	0	167	20,780
<u>Nonrecurring Items</u>				
Sale of Equipment	1,625	0	0	1,625
Contributions and Gifts	500	0	0	500
Total Other Local Revenues	\$ 86,423	\$ 0	\$ 3,519	\$ 89,942
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 24,042	\$ 0	\$ 0	\$ 24,042
<u>State Education Funds</u>				
Basic Education Program	8,093,000	0	0	8,093,000
Early Childhood Education	310,491	0	0	310,491
School Food Service	6,800	0	755	7,555

(Continued)

Exhibit J-5

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	\$ 128,311	\$ 0	\$ 0	\$ 128,311
Statewide Student Management System (SSMS) - ARRA	3,713	0	0	3,713
Career Ladder Program	53,544	0	0	53,544
Career Ladder - Extended Contract	30,500	0	0	30,500
Career Ladder - Extended Contract - ARRA	30,500	0	0	30,500
<u>Other State Revenues</u>				
Income Tax	7,875	0	0	7,875
State Revenue Sharing - T.V.A.	375,316	0	0	375,316
Other State Grants	1,200	0	0	1,200
Other State Revenues	2,673	0	0	2,673
Total State of Tennessee	\$ 9,067,965	\$ 0	\$ 755	\$ 9,068,720
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 361,197	\$ 361,197
USDA - Commodities	0	0	31,739	31,739
Breakfast	0	0	140,990	140,990
USDA Food Service Equipment Grant - ARRA	0	0	7,877	7,877
Vocational Education - Basic Grants to States	0	22,830	0	22,830
Title I Grants to Local Education Agencies	0	410,223	0	410,223
Special Education - Grants to States	0	211,836	0	211,836
Special Education Preschool Grants	0	9,599	0	9,599
Rural Education	0	45,349	0	45,349
Eisenhower Professional Development State Grants	0	41,927	0	41,927
Race-to-the-Top - ARRA	0	42,392	0	42,392
Other Federal through State	0	291,379	0	291,379
Total Federal Government	\$ 0	\$ 1,075,535	\$ 541,803	\$ 1,617,338
Total	\$ 10,415,971	\$ 1,075,535	\$ 856,834	\$ 12,348,340

Exhibit J-6

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	36,500	
Social Security		2,263	
Unemployment Compensation		5	
Employer Medicare		529	
Audit Services		5,178	
Dues and Memberships		2,500	
Legal Services		3,300	
Legal Notices, Recording, and Court Costs		20,331	
Travel		419	
Total County Commission			\$ 71,025

Board of Equalization

Board and Committee Members Fees	\$	880	
Social Security		55	
Unemployment Compensation		3	
Employer Medicare		13	
Total Board of Equalization			951

Budget and Finance Committee

Other Salaries and Wages	\$	1,054	
Board and Committee Members Fees		3,000	
Social Security		251	
Employer Medicare		59	
Total Budget and Finance Committee			4,364

Other Boards and Committees

Part-time Personnel	\$	8,737	
Social Security		542	
Unemployment Compensation		158	
Employer Medicare		127	
Instructional Supplies and Materials		1,991	
Other Supplies and Materials		4,000	
Total Other Boards and Committees			15,555

County Mayor/Executive

County Official/Administrative Officer	\$	65,587	
Accountants/Bookkeepers		23,642	
Clerical Personnel		20,656	
In-Service Training		643	
Social Security		6,813	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Unemployment Compensation	\$	207	
Employer Medicare		1,593	
Communication		3,280	
Data Processing Services		8,104	
Dues and Memberships		545	
Legal Notices, Recording, and Court Costs		249	
Travel		2,278	
Office Supplies		2,667	
Other Charges		103	
Data Processing Equipment		2,129	
Total County Mayor/Executive			\$ 138,496

County Attorney

County Official/Administrative Officer	\$	18,665	
Dues and Memberships		250	
Total County Attorney			18,915

Election Commission

County Official/Administrative Officer	\$	51,107	
Clerical Personnel		16,392	
Election Commission		2,000	
Election Workers		12,070	
Social Security		4,518	
Unemployment Compensation		452	
Employer Medicare		1,057	
Communication		1,563	
Data Processing Services		2,900	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		3,038	
Maintenance and Repair Services - Office Equipment		1,212	
Rentals		400	
Travel		2,264	
Data Processing Supplies		3,752	
Other Supplies and Materials		3,622	
Data Processing Equipment		2,474	
Total Election Commission			108,996

Register of Deeds

County Official/Administrative Officer	\$	56,785	
Deputy(ies)		18,530	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Social Security	\$ 4,670	
Unemployment Compensation	306	
Employer Medicare	1,092	
Communication	1,260	
Data Processing Services	1,500	
Dues and Memberships	422	
Office Supplies	2,451	
Data Processing Equipment	2,549	
Office Equipment	477	
Total Register of Deeds		\$ 90,042

Building

Maintenance and Repair Services - Buildings	\$ 350	
Total Building		350

Geographical Information Systems

Supervisor/Director	\$ 7,350	
Deputy(ies)	4,287	
ADA Coordinator	14,700	
Accountants/Bookkeepers	2,884	
Guidance Personnel	7,350	
Assessment Personnel	1,810	
Other Salaries and Wages	3,600	
In-Service Training	125	
Social Security	2,362	
Unemployment Compensation	314	
Employer Medicare	552	
Communication	1,450	
Consultants	3,571	
Travel	3,436	
Other Contracted Services	1,000	
Instructional Supplies and Materials	1,943	
Other Supplies and Materials	88	
Total Geographical Information Systems		56,822

County Buildings

Custodial Personnel	\$ 21,360	
Social Security	1,324	
Unemployment Compensation	180	
Employer Medicare	310	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Contracts with Private Agencies	\$	495	
Maintenance Agreements		2,553	
Maintenance and Repair Services - Buildings		5,979	
Other Contracted Services		110	
Custodial Supplies		4,229	
Electricity		17,893	
Natural Gas		1,798	
Water and Sewer		3,489	
Building and Contents Insurance		8,000	
Other Construction		2,391	
Total County Buildings			\$ 70,111

Other General Administration

Postal Charges	\$	11,052	
Rentals		4,292	
Data Processing Supplies		2,096	
Total Other General Administration			17,440

Finance

Central Services

Other Salaries and Wages	\$	11,840	
Social Security		734	
Unemployment Compensation		131	
Employer Medicare		172	
Total Central Services			12,877

Property Assessor's Office

County Official/Administrative Officer	\$	56,785	
Secretary(ies)		14,785	
Social Security		4,437	
Unemployment Compensation		105	
Employer Medicare		1,038	
Communication		983	
Contracts with Private Agencies		1,969	
Data Processing Services		2,028	
Dues and Memberships		786	
Legal Notices, Recording, and Court Costs		92	
Maintenance and Repair Services - Vehicles		551	
Travel		305	
Gasoline		407	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Office Supplies	\$ 1,096	
Total Property Assessor's Office		\$ 85,367

Reappraisal Program

Laborers	\$ 4,977	
Clerical Personnel	1,063	
In-Service Training	150	
Social Security	374	
Unemployment Compensation	112	
Employer Medicare	88	
Data Processing Services	1,067	
Total Reappraisal Program		7,831

County Trustee's Office

County Official/Administrative Officer	\$ 56,785	
Clerical Personnel	20,124	
Other Salaries and Wages	3,088	
Social Security	4,960	
Unemployment Compensation	242	
Employer Medicare	1,160	
Communication	1,532	
Data Processing Services	7,017	
Dues and Memberships	437	
Legal Notices, Recording, and Court Costs	134	
Travel	1,197	
Other Contracted Services	3,504	
Office Supplies	1,754	
Data Processing Equipment	2,894	
Total County Trustee's Office		104,828

County Clerk's Office

Deputy(ies)	\$ 18,610
Secretary(ies)	32,341
Clerical Personnel	4,714
Other Salaries and Wages	6,944
Social Security	7,475
Unemployment Compensation	591
Employer Medicare	1,942
Communication	2,366
Legal Notices, Recording, and Court Costs	254

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Maintenance and Repair Services - Equipment	\$	281	
Maintenance and Repair Services - Office Equipment		48	
Travel		401	
Office Supplies		4,390	
Other Supplies and Materials		402	
Office Equipment		814	
Total County Clerk's Office			\$ 81,573

Data Processing

Computer Programmer(s)	\$	1,097	
Social Security		68	
Unemployment Compensation		22	
Employer Medicare		16	
Data Processing Supplies		19,464	
Data Processing Equipment		1,563	
Total Data Processing			22,230

Other Finance

Remittance of Revenue Collected	\$	2,958	
Total Other Finance			2,958

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,785	
Deputy(ies)		18,004	
Clerical Personnel		18,299	
Other Salaries and Wages		5,854	
Jury and Witness Expense		4,425	
Social Security		6,134	
Unemployment Compensation		712	
Employer Medicare		1,435	
Communication		1,644	
Dues and Memberships		327	
Legal Notices, Recording, and Court Costs		491	
Travel		134	
Office Supplies		2,256	
Data Processing Equipment		6,904	
Total Circuit Court			123,404

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge

Judge(s)	\$	46,821	
Salary Supplements		4,089	
Social Security		3,156	
Employer Medicare		738	
Communication		524	
Dues and Memberships		400	
Travel		1,246	
Office Supplies		134	
Total General Sessions Judge			\$ 57,108

Chancery Court

County Official/Administrative Officer	\$	56,785	
Deputy(ies)		18,184	
Social Security		4,648	
Unemployment Compensation		255	
Employer Medicare		1,087	
Communication		1,297	
Dues and Memberships		327	
Legal Notices, Recording, and Court Costs		30	
Travel		505	
Office Supplies		1,995	
Premiums on Corporate Surety Bonds		654	
Data Processing Equipment		4,246	
Total Chancery Court			90,013

Juvenile Court

Judge(s)	\$	12,280	
Social Workers		27,921	
Guards		60	
Social Security		2,492	
Unemployment Compensation		175	
Employer Medicare		583	
Communication		1,022	
Contracts with Private Agencies		1,125	
Travel		256	
Other Supplies and Materials		524	
Other Charges		729	
Total Juvenile Court			47,167

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

District Attorney General

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

Judicial Commissioners

Clerical Personnel	\$ 12,875	
Social Security	798	
Unemployment Compensation	11	
Employer Medicare	187	
Total Judicial Commissioners		13,871

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 62,466	
Deputy(ies)	256,159	
Salary Supplements	7,200	
Secretary(ies)	18,696	
In-Service Training	3,792	
Social Security	21,360	
Unemployment Compensation	2,070	
Employer Medicare	4,996	
Communication	5,700	
Maintenance and Repair Services - Equipment	1,750	
Maintenance and Repair Services - Office Equipment	1,137	
Maintenance and Repair Services - Vehicles	12,461	
Postal Charges	632	
Travel	1,944	
Gasoline	43,573	
Law Enforcement Supplies	1,967	
Office Supplies	1,691	
Tires and Tubes	5,944	
Uniforms	3,749	
Other Supplies and Materials	783	
Vehicle and Equipment Insurance	4,500	
Data Processing Equipment	2,228	
Law Enforcement Equipment	2,990	
Total Sheriff's Department		467,788

Special Patrols

Deputy(ies)	\$ 12,531	
Social Security	1,185	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Special Patrols (Cont.)

Unemployment Compensation	\$ 49	
Employer Medicare	164	
Instructional Supplies and Materials	71	
Law Enforcement Equipment	2,700	
Total Special Patrols		\$ 16,700

Drug Enforcement

Evaluation and Testing	\$ 2,860	
Total Drug Enforcement		2,860

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$ 250	
Total Administration of the Sexual Offender Registry		250

Jail

Guards	\$ 226,860	
Secretary(ies)	19,854	
Cafeteria Personnel	26,129	
Social Security	16,916	
Unemployment Compensation	3,149	
Employer Medicare	3,956	
Communication	5,300	
Maintenance and Repair Services - Buildings	25,922	
Maintenance and Repair Services - Office Equipment	1,500	
Medical and Dental Services	32,649	
Pest Control	100	
Postal Charges	457	
Travel	515	
Custodial Supplies	4,035	
Electricity	29,594	
Food Supplies	31,792	
Gasoline	11,169	
Law Enforcement Supplies	2,000	
Office Supplies	1,710	
Prisoners Clothing	725	
Uniforms	1,339	
Utilities	19,082	
Other Supplies and Materials	3,907	
Law Enforcement Equipment	700	
Total Jail		469,360

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Supervisor/Director	\$	29,705	
In-Service Training		1,476	
Social Security		1,842	
Unemployment Compensation		180	
Employer Medicare		431	
Communication		1,789	
Dues and Memberships		102	
Rentals		2,400	
Travel		1,764	
Electricity		1,343	
Equipment and Machinery Parts		9,918	
Gasoline		10,740	
Natural Gas		390	
Office Supplies		633	
Water and Sewer		526	
Building and Contents Insurance		1,300	
Other Charges		580	
Building Construction		433	
Maintenance Equipment		17,661	
Total Fire Prevention and Control			\$ 83,213

Rural Fire Protection

Advertising	\$	475	
Equipment and Machinery Parts		2,590	
Other Supplies and Materials		2,018	
Other Equipment		150,000	
Other Construction		52,448	
Total Rural Fire Protection			207,531

Other Emergency Management

Supervisor/Director	\$	24,152	
Salary Supplements		5,593	
Dispatchers/Radio Operators		86,455	
In-Service Training		2,394	
Social Security		7,348	
Unemployment Compensation		1,082	
Employer Medicare		1,718	
Communication		2,304	
Contracts with Private Agencies		8,000	
Maintenance and Repair Services - Buildings		1,120	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Maintenance and Repair Services - Office Equipment	\$ 1,044	
Pest Control	140	
Postal Charges	44	
Travel	889	
Custodial Supplies	888	
Electricity	4,040	
Natural Gas	685	
Office Supplies	2,500	
Water and Sewer	416	
Total Other Emergency Management		\$ 150,812

County Coroner/Medical Examiner

Medical Personnel	\$ 11,558	
Total County Coroner/Medical Examiner		11,558

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 4,800	
Communication	2,682	
Contracts with Government Agencies	16,410	
Custodial Supplies	234	
Drugs and Medical Supplies	10	
Electricity	6,105	
Office Supplies	232	
Water and Sewer	1,651	
Building and Contents Insurance	537	
Other Charges	458	
Office Equipment	74	
Total Local Health Center		33,193

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 36,684	
Accountants/Bookkeepers	23,990	
Medical Personnel	250,051	
Paraprofessionals	194,680	
Social Security	31,335	
Unemployment Compensation	3,416	
Employer Medicare	7,328	
Communication	4,241	
Contracts with Private Agencies	3,315	

(Continued)

Exhibit J-6

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.)

Operating Lease Payments	\$ 11,100	
Licenses	1,750	
Maintenance and Repair Services - Buildings	582	
Maintenance and Repair Services - Office Equipment	148	
Maintenance and Repair Services - Vehicles	27,615	
Pest Control	120	
Postal Charges	876	
Travel	936	
Remittance of Revenue Collected	1,512	
Other Contracted Services	180	
Custodial Supplies	1,081	
Drugs and Medical Supplies	27,172	
Electricity	4,149	
Gasoline	24,214	
Office Supplies	2,292	
Uniforms	1,798	
Utilities	1,123	
Other Charges	55,850	
Data Processing Equipment	1,800	
Office Equipment	615	
Total Ambulance/Emergency Medical Services		\$ 719,953

Other Local Health Services

Medical Personnel	\$ 26,292	
Social Security	1,630	
Unemployment Compensation	180	
Employer Medicare	381	
Travel	255	
Total Other Local Health Services		28,738

Regional Mental Health Center

Assistant(s)	\$ 11,459
Supervisor/Director	11,143
Deputy(ies)	26,550
Youth Service Officer(s)	11,466
Accountants/Bookkeepers	9,375
Social Security	4,344
Unemployment Compensation	829
Employer Medicare	1,016
Accounting Services	1,870

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Regional Mental Health Center (Cont.)

Communication	\$ 572	
Travel	8,815	
Other Contracted Services	26,418	
Office Supplies	3,934	
Total Regional Mental Health Center		\$ 117,791

Sanitation Education/Information

Laborers	\$ 15,863	
Clerical Personnel	6,653	
Social Security	1,396	
Unemployment Compensation	343	
Employer Medicare	326	
Contracts with Vehicle Owners	4,000	
Maintenance and Repair Services - Vehicles	689	
Gasoline	3,004	
Other Supplies and Materials	371	
Other Charges	5,773	
Motor Vehicles	373	
Total Sanitation Education/Information		38,791

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$ 82,090	
Total Adult Activities		82,090

Libraries

Deputy(ies)	\$ 20,224	
Librarians	32,600	
Part-time Personnel	15,575	
Other Salaries and Wages	3,501	
Social Security	4,526	
Unemployment Compensation	664	
Employer Medicare	1,059	
Communication	1,828	
Dues and Memberships	460	
Janitorial Services	1,755	
Maintenance and Repair Services - Buildings	1,900	
Postal Charges	1,600	
Travel	283	
Other Contracted Services	240	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Custodial Supplies	\$ 600	
Data Processing Supplies	2,538	
Electricity	8,176	
Library Books/Media	18,296	
Natural Gas	401	
Office Supplies	2,000	
Water and Sewer	472	
Other Supplies and Materials	650	
Total Libraries		\$ 119,348

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)	\$ 9,340	
Supervisor/Director	11,563	
Secretary(ies)	5,740	
Social Security	1,321	
Local Retirement	3,058	
Communication	1,488	
Travel	2,499	
Office Supplies	1,249	
Data Processing Equipment	949	
Other Equipment	600	
Total Agriculture Extension Service		37,807

Forest Service

Other Equipment	\$ 684	
Total Forest Service		684

Soil Conservation

Board and Committee Members Fees	\$ 6,942	
Social Security	430	
Unemployment Compensation	139	
Employer Medicare	101	
Communication	358	
Contributions	800	
Total Soil Conservation		8,770

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations

Tourism

Maintenance Personnel	\$ 3,272	
Social Security	184	
Unemployment Compensation	59	
Employer Medicare	43	
Contracts with Other Public Agencies	1,618	
Maintenance and Repair Services - Buildings	2,906	
Maintenance and Repair Services - Equipment	5,989	
Electricity	3,000	
Garage Supplies	1,274	
Other Charges	11,821	
Building Improvements	<u>5,960</u>	
Total Tourism		\$ 36,126

Tourism-Resort District

Other Contracted Services	\$ <u>21,855</u>	
Total Tourism-Resort District		21,855

Other Economic and Community Development

County Official/Administrative Officer	\$ 27,583	
Assistant(s)	9,441	
In-Service Training	1,071	
Social Security	2,295	
Unemployment Compensation	369	
Employer Medicare	537	
Maintenance and Repair Services - Buildings	4,925	
Custodial Supplies	271	
Food Supplies	11,607	
Office Supplies	463	
Utilities	6,992	
Other Supplies and Materials	1,218	
Other Charges	177	
Office Equipment	<u>435</u>	
Total Other Economic and Community Development		67,384

Airport

Contracts with Private Agencies	\$ 6,000	
Maintenance Agreements	3,225	
Maintenance and Repair Services - Buildings	350	
Electricity	1,139	
Building and Contents Insurance	1,088	

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Airport Improvement	\$ 225	
Total Airport		\$ 12,027

Veterans' Services

County Official/Administrative Officer	\$ 447	
Supervisor/Director	5,250	
Other Per Diem and Fees	773	
Social Security	401	
Unemployment Compensation	105	
Employer Medicare	94	
Communication	821	
Travel	103	
Electricity	316	
Water and Sewer	120	
Other Supplies and Materials	882	
Total Veterans' Services		9,312

Contributions to Other Agencies

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

Employee Benefits

Unemployment Compensation	\$ 10,000	
Workers' Compensation Insurance	41,623	
Total Employee Benefits		51,623

Payments to Cities

Matching Share	\$ 3,942	
Total Payments to Cities		3,942

Miscellaneous

Dues and Memberships	\$ 2,000	
Remittance of Revenue Collected	9,656	
Other Supplies and Materials	1,397	
Liability Insurance	41,416	
Trustee's Commission	43,624	
Other Charges	1,000	
Total Miscellaneous		99,093

(Continued)

Exhibit J-6

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

General Fund (Cont.)

Capital Projects

General Administration Projects

Building Improvements	\$ 2,094	
Total General Administration Projects		\$ 2,094

Total General Fund \$ 4,181,972

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Equipment Operators	\$ 73,101	
Other Salaries and Wages	5,352	
Social Security	4,864	
Unemployment Compensation	808	
Employer Medicare	1,138	
Communication	615	
Contracts with Private Agencies	89,850	
Evaluation and Testing	4,133	
Operating Lease Payments	12,000	
Maintenance and Repair Services - Equipment	19,179	
Travel	145	
Disposal Fees	2,500	
Diesel Fuel	30,562	
Electricity	2,351	
Water and Sewer	2,400	
Maintenance Equipment	11,580	
Total Convenience Centers		\$ 260,578

Landfill Operation and Maintenance

General Construction Materials	\$ 1,245	
Total Landfill Operation and Maintenance		1,245

Other Operations

Other Charges

Trustee's Commission	\$ 5,165	
Total Other Charges		5,165

Total Solid Waste/Sanitation Fund 266,988

(Continued)

Exhibit J-6

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

Drug Control Fund

Public Safety

Drug Enforcement

Office Supplies	\$ 325	
Other Supplies and Materials	3,500	
Trustee's Commission	10	
Other Charges	7,798	
Motor Vehicles	6,628	
Total Drug Enforcement		<u>\$ 18,261</u>

Total Drug Control Fund \$ 18,261

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 57,924	
Total County Clerk's Office		<u>\$ 57,924</u>

Total Constitutional Officers - Fees Fund 57,924

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 62,465	
Accountants/Bookkeepers	29,225	
Secretary(ies)	45,006	
Data Processing Services	5,635	
Dues and Memberships	2,132	
Freight Expenses	730	
Operating Lease Payments	2,580	
Legal Notices, Recording, and Court Costs	304	
Postal Charges	285	
Printing, Stationery, and Forms	254	
Travel	1,293	
Office Supplies	2,232	
Other Charges	194	
Total Administration		<u>\$ 152,335</u>

Highway and Bridge Maintenance

Foremen	\$ 90,906
Equipment Operators	156,933
Truck Drivers	152,754
Laborers	8,877

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Other Contracted Services	\$ 150,410	
Asphalt - Cold Mix	10,946	
Asphalt - Liquid	150,187	
Concrete	519	
Crushed Stone	149,178	
Ice	1,108	
Other Road Supplies	1,580	
Pipe - Metal	107,170	
Road Signs	9,357	
Structural Steel	120	
Wood Products	3,350	
Other Supplies and Materials	669	
Total Highway and Bridge Maintenance		\$ 994,064

Operation and Maintenance of Equipment

Mechanic(s)	\$ 3,327	
Maintenance and Repair Services - Equipment	3,198	
Maintenance and Repair Services - Vehicles	1,231	
Diesel Fuel	70,290	
Equipment and Machinery Parts	15,412	
Garage Supplies	4,358	
Gasoline	34,295	
Lubricants	2,365	
Propane Gas	106	
Small Tools	1,856	
Tires and Tubes	13,225	
Vehicle Parts	15,765	
Total Operation and Maintenance of Equipment		165,428

Other Charges

Communication	\$ 4,182	
Contracts with Private Agencies	490	
Janitorial Services	2,673	
Pest Control	200	
Rentals	321	
Custodial Supplies	370	
Drugs and Medical Supplies	445	
Electricity	3,617	
Water and Sewer	425	
Other Supplies and Materials	813	

(Continued)

Exhibit J-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Premiums on Corporate Surety Bonds	\$ 396	
Trustee's Commission	12,965	
Vehicle and Equipment Insurance	12,827	
Other Charges	3,190	
Total Other Charges		\$ 42,914

Employee Benefits

Social Security	\$ 32,778	
Life Insurance	8,685	
Medical Insurance	105,365	
Unemployment Compensation	5,938	
Employer Medicare	7,666	
Laundry Service	3,451	
Workers' Compensation Insurance	32,454	
Total Employee Benefits		196,337

Capital Outlay

Engineering Services	\$ 22,224	
Bridge Construction	64,355	
Highway Equipment	88,337	
State Aid Projects	143,664	
Total Capital Outlay		318,580

Principal on Debt

Highways and Streets

Principal on Notes	\$ 25,112	
Total Highways and Streets		25,112

Interest on Debt

Highways and Streets

Interest on Notes	\$ 2,602	
Total Highways and Streets		2,602

Total Highway/Public Works Fund \$ 1,897,372

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 24,794	
Principal on Notes	142,864	

(Continued)

Exhibit J-6

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>General Government (Cont.)</u>		
Principal on Other Loans	\$ 146,000	
Total General Government		\$ 313,658
<u>Education</u>		
Principal on Notes	\$ 55,556	
Principal on Other Loans	<u>325,000</u>	
Total Education		380,556
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 10,675	
Interest on Notes	31,137	
Interest on Other Loans	<u>23,383</u>	
Total General Government		65,195
<u>Education</u>		
Interest on Notes	\$ 13,410	
Interest on Other Loans	<u>66,847</u>	
Total Education		80,257
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 7,764	
Total General Government		<u>7,764</u>
Total General Debt Service Fund		\$ 847,430
<u>Other Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Other Construction	\$ 30,016	
Other Capital Outlay	<u>67,958</u>	
Total Housing and Urban Development		<u>\$ 97,974</u>
Total Other Capital Projects Fund		<u>97,974</u>
Total Governmental Funds - Primary Government		<u><u>\$ 7,367,921</u></u>

Exhibit J-7

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Houston County School Department
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 2,955,351	
Career Ladder Program	36,350	
Career Ladder Extended Contracts	40,510	
Homebound Teachers	6,320	
Educational Assistants	146,587	
Other Salaries and Wages	23,479	
Certified Substitute Teachers	10,000	
Non-certified Substitute Teachers	83,577	
Social Security	193,020	
State Retirement	271,227	
Life Insurance	4,491	
Medical Insurance	236,345	
Employer Medicare	45,142	
Other Contracted Services	76,506	
Instructional Supplies and Materials	41,208	
Textbooks	45,287	
Other Supplies and Materials	6,931	
Other Charges	122	
Regular Instruction Equipment	42,660	
Total Regular Instruction Program		\$ 4,265,113

Special Education Program

Teachers	\$ 320,458	
Career Ladder Program	2,000	
Homebound Teachers	5,990	
Educational Assistants	125,252	
Certified Substitute Teachers	1,020	
Non-certified Substitute Teachers	9,740	
Social Security	27,004	
State Retirement	29,498	
Medical Insurance	40,944	
Employer Medicare	6,315	
Instructional Supplies and Materials	844	
Other Supplies and Materials	2,366	
Total Special Education Program		571,431

Vocational Education Program

Teachers	\$ 206,803
Career Ladder Program	1,000

(Continued)

Exhibit J-7

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.)

Non-certified Substitute Teachers	\$	3,660	
Social Security		11,665	
State Retirement		18,806	
Medical Insurance		28,465	
Employer Medicare		2,728	
Instructional Supplies and Materials		1,583	
Total Vocational Education Program			\$ 274,710

Support Services

Attendance

Supervisor/Director	\$	29,539	
Career Ladder Program		500	
Social Security		1,707	
Employer Medicare		399	
Travel		170	
Total Attendance			32,315

Health Services

Medical Personnel	\$	19,977	
Social Security		1,239	
Employer Medicare		290	
Travel		445	
Drugs and Medical Supplies		340	
Other Supplies and Materials		298	
Total Health Services			22,589

Other Student Support

Guidance Personnel	\$	131,088	
Career Ladder Extended Contracts		950	
School Resource Officer		12,000	
Other Salaries and Wages		40,553	
Social Security		10,032	
State Retirement		12,303	
Medical Insurance		9,390	
Employer Medicare		2,346	
Evaluation and Testing		8,288	
Travel		2,306	
Other Supplies and Materials		39,021	
Other Charges		2,389	
Total Other Student Support			270,666

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	186,095	
Career Ladder Program		3,000	
Librarians		156,935	
Instructional Computer Personnel		74,259	
Social Security		24,083	
State Retirement		29,441	
Medical Insurance		40,022	
Employer Medicare		5,632	
Travel		627	
Library Books/Media		6,000	
Other Supplies and Materials		76	
In Service/Staff Development		12,691	
Other Charges		476	
Total Regular Instruction Program			\$ 539,337

Alternative Instruction Program

Supervisor/Director	\$	44,584	
Career Ladder Program		1,000	
Social Security		2,385	
State Retirement		4,125	
Medical Insurance		6,546	
Employer Medicare		558	
Maintenance and Repair Services - Equipment		1,124	
Other Supplies and Materials		44	
Total Alternative Instruction Program			60,366

Special Education Program

Supervisor/Director	\$	36,103	
Psychological Personnel		51,178	
Social Security		5,186	
State Retirement		7,899	
Medical Insurance		2,452	
Employer Medicare		1,213	
Travel		2,598	
Other Supplies and Materials		1,894	
Other Charges		149	
Total Special Education Program			108,672

(Continued)

Exhibit J-7

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 Programs

On-Behalf Payments to OPEB	\$ 24,042	
Total Other Programs		\$ 24,042

Board of Education

Board and Committee Members Fees	\$ 5,200	
Social Security	322	
Unemployment Compensation	21,925	
Employer Medicare	75	
Audit Services	4,100	
Dues and Memberships	6,008	
Legal Services	6,135	
Travel	529	
Other Contracted Services	6,904	
Other Supplies and Materials	959	
Liability Insurance	114,569	
Premiums on Corporate Surety Bonds	100	
Trustee's Commission	39,029	
Workers' Compensation Insurance	67,986	
In Service/Staff Development	2,780	
Criminal Investigation of Applicants - TBI	2,318	
Other Charges	7,883	
Total Board of Education		286,822

Director of Schools

County Official/Administrative Officer	\$ 87,210	
Career Ladder Program	1,000	
Secretary(ies)	30,900	
Clerical Personnel	28,900	
Social Security	8,803	
State Retirement	7,983	
Medical Insurance	4,198	
Employer Medicare	2,059	
Communication	5,184	
Dues and Memberships	1,486	
Postal Charges	2,676	
Travel	1,741	
In Service/Staff Development	300	
Other Charges	443	
Administration Equipment	100	
Total Director of Schools		182,983

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$ 257,924	
Career Ladder Program	3,000	
Assistant Principals	84,038	
Secretary(ies)	92,438	
Clerical Personnel	50,341	
Social Security	29,597	
State Retirement	31,219	
Medical Insurance	8,351	
Employer Medicare	6,922	
Communication	9,398	
Travel	32	
In Service/Staff Development	1,065	
Other Charges	1,200	
Administration Equipment	845	
Total Office of the Principal		\$ 576,370

Fiscal Services

Accountants/Bookkeepers	\$ 30,900	
Clerical Personnel	53,235	
Social Security	5,149	
Employer Medicare	1,204	
Other Contracted Services	7,683	
Data Processing Supplies	1,934	
Office Supplies	5,710	
Other Supplies and Materials	9	
In Service/Staff Development	455	
Other Charges	85	
Administration Equipment	224	
Total Fiscal Services		106,588

Operation of Plant

Guards	\$ 29,039	
Custodial Personnel	184,768	
Other Salaries and Wages	35,547	
Social Security	15,381	
Employer Medicare	3,597	
Maintenance and Repair Services - Equipment	239	
Rentals	12,000	
Disposal Fees	5,732	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Contracted Services	\$	6,683	
Custodial Supplies		18,470	
Electricity		364,042	
Natural Gas		43,846	
Water and Sewer		64,149	
Other Supplies and Materials		1,538	
Boiler Insurance		3,484	
Plant Operation Equipment		500	
Total Operation of Plant			\$ 789,015

Maintenance of Plant

Maintenance Personnel	\$	96,799	
Social Security		5,982	
Employer Medicare		1,399	
Maintenance and Repair Services - Buildings		35,597	
Maintenance and Repair Services - Equipment		34,431	
Equipment and Machinery Parts		2,450	
Other Supplies and Materials		2,910	
Maintenance Equipment		1,538	
Total Maintenance of Plant			181,106

Transportation

Supervisor/Director	\$	40,120	
Mechanic(s)		44,897	
Bus Drivers		158,877	
Other Salaries and Wages		19,151	
Social Security		16,226	
Employer Medicare		3,795	
Communication		1,719	
Contracts with Parents		24	
Maintenance and Repair Services - Vehicles		1,648	
Medical and Dental Services		3,090	
Travel		860	
Other Contracted Services		1,261	
Garage Supplies		7,150	
Gasoline		107,198	
Lubricants		2,186	
Tires and Tubes		14,395	
Vehicle Parts		32,408	

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Supplies and Materials	\$ 2,970	
In Service/Staff Development	1,161	
Other Charges	463	
Transportation Equipment	154,222	
Total Transportation		\$ 613,821

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 28,900	
Social Security	1,789	
Employer Medicare	418	
Total Food Service		31,107

Community Services

Supervisor/Director	\$ 18,975	
Other Salaries and Wages	6,602	
Social Security	1,565	
State Retirement	71	
Employer Medicare	366	
Travel	392	
Other Supplies and Materials	1,298	
Total Community Services		29,269

Early Childhood Education

Supervisor/Director	\$ 24,069	
Teachers	122,130	
Educational Assistants	61,078	
Other Salaries and Wages	33,394	
Non-certified Substitute Teachers	2,410	
Social Security	14,908	
State Retirement	13,231	
Medical Insurance	1,634	
Employer Medicare	3,487	
Travel	314	
Instructional Supplies and Materials	3,245	
Other Supplies and Materials	3,184	
In Service/Staff Development	1,184	
Other Charges	1,585	
Other Equipment	26,639	
Total Early Childhood Education		312,492

(Continued)

Exhibit J-7

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Engineering Services	\$ 14,705	
Building Improvements	68,422	
Total Regular Capital Outlay		\$ 83,127

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 468,966	
Total Education		468,966

Total General Purpose School Fund \$ 9,830,907

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 396,505	
Educational Assistants	96,179	
Non-certified Substitute Teachers	4,540	
Social Security	30,272	
State Retirement	35,884	
Medical Insurance	8,626	
Employer Medicare	7,080	
Other Contracted Services	23,121	
Instructional Supplies and Materials	57,711	
Other Supplies and Materials	4,439	
Regular Instruction Equipment	96,101	
Total Regular Instruction Program		\$ 760,458

Special Education Program

Teachers	\$ 72,667	
Educational Assistants	76,784	
Non-certified Substitute Teachers	4,305	
Social Security	9,112	
State Retirement	6,576	
Medical Insurance	8,083	
Employer Medicare	2,131	
Contracts with Private Agencies	68,636	
Instructional Supplies and Materials	6,415	
Other Supplies and Materials	298	
Special Education Equipment	6,283	
Total Special Education Program		261,290

(Continued)

Exhibit J-7

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.)

Vocational Education Program

Instructional Supplies and Materials	\$ 5,804	
Vocational Instruction Equipment	9,930	
Total Vocational Education Program		\$ 15,734

Support Services

Other Student Support

Travel	\$ 6,512	
Total Other Student Support		6,512

Regular Instruction Program

Other Salaries and Wages	\$ 14,285	
Social Security	886	
State Retirement	624	
Employer Medicare	207	
In Service/Staff Development	22,611	
Total Regular Instruction Program		38,613

Special Education Program

Travel	\$ 1,664	
In Service/Staff Development	620	
Total Special Education Program		2,284

Vocational Education Program

Travel	\$ 484	
In Service/Staff Development	100	
Total Vocational Education Program		584

Total School Federal Projects Fund \$ 1,085,475

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 303,119
Social Security	18,776
Employer Medicare	4,391
Communication	1,458
Maintenance and Repair Services - Equipment	14,761
Transportation - Other than Students	2,305
Travel	969

(Continued)

Exhibit J-7

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Contracted Services	\$	11,247	
Food Supplies		383,956	
USDA - Commodities		31,739	
Other Supplies and Materials		43,159	
In Service/Staff Development		171	
Other Charges		3,459	
Food Service Equipment		16,702	
Total Food Service			<u>\$ 836,212</u>

Total Central Cafeteria Fund \$ 836,212

Total Governmental Funds - Houston County School Department \$ 11,752,594

Exhibit J-8

Houston County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2012

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 420,927
Total Cash Receipts	<u>\$ 420,927</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 416,718
Trustee's Commission	4,209
Total Cash Disbursements	<u>\$ 420,927</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2011	<u>0</u>
Cash Balance, June 30, 2012	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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 18, 2012

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, 2012, which collectively comprise Houston County's basic financial statements and have issued our report thereon dated October 18, 2012. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Houston County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Houston County is responsible for establishing and maintaining effective 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: 12.01 and 12.07.

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: 12.02, 12.03, 12.04, 12.06, and 12.08.

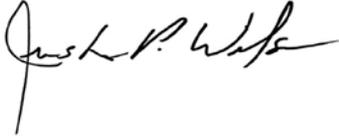
Compliance and Other Matters

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 12.05.

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

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

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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

Independent Auditor's Report

October 18, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited Houston County's compliance 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, 2012. 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, 2012.

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 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.

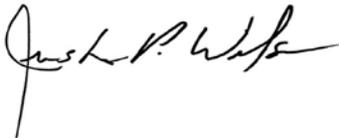
Schedule of Expenditures of Federal Awards

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, 2012, and have issued our report thereon dated October 18, 2012. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Houston County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements 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 large initial "J" and "W".

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Houston County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

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	\$ 140,990
National School Lunch Program	10.555	N/A	361,197 (6)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	7,877
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	31,739 (6)
Total U.S. Department of Agriculture			<u>\$ 541,803</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	(2)	\$ 130,293
Total U.S. Department of Housing and Urban Development			<u>\$ 130,293</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(3)	\$ 9,000
Enforcing Underage Drinking Laws Program	16.727	Z-08-73539-00	54,418
Total U.S. Department of Justice			<u>\$ 63,418</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(3)	\$ 9,807
Total U.S. Department of Transportation			<u>\$ 9,807</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	\$ 372,774
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	47,189
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	211,836
Special Education - Preschool Grants	84.173	N/A	9,599
Special Education - Grants to States, Recovery Act	84.391	N/A	12
Career and Technical Education - Basic Grants to States	84.048	N/A	68,279
Safe and Drug-free Schools and Communities - State Grants	84.186	(3)	12,000
Improving Teacher Quality State Grants	84.367	N/A	42,309
Education Technology State Grants, Recovery Act	84.386	N/A	414
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	42,392
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	34,213
Education Jobs Fund	84.410	N/A	290,671
Total U.S. Department of Education			<u>\$ 1,131,688</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	\$ 125,517
Total U.S. Department of Health and Human Services			<u>\$ 125,517</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(4)	\$ 782,400
Homeland Security Grant Program	97.067	(5)	\$ 5,818
Total U.S. Department of Homeland Security			<u>\$ 788,218</u>
Total Expenditures of Federal Awards			<u>\$ 2,790,744</u>

<u>State Grants</u>		Contract Number	
Preventive Health and Human Services - State Department of Health	N/A	Z-12-45513	\$ 28,738
Litter Grant - State Department of Transportation	N/A	(3)	42,232
Rural Library Laptop Lab Grant - Tennessee Department of State	N/A	(3)	2,883
2012 LTSA Technology Grant Program - Tennessee Department of State	N/A	(3)	1,900
Volunteer Fire Assistance Grant - State Department of Agriculture	N/A	(3)	284
Internet Connectivity - State Department of Education	N/A	(3)	5,002
Early Childhood Education - State Department of Education	N/A	(3)	310,491
Coordinated School Health - State Department of Education	N/A	(3)	84,154
Family Resource Center - State Department of Education	N/A	(3)	29,268
Safe Schools Act of 1998 - State Department of Education	N/A	(3)	9,100
Student Ticket Subsidy Grant - State Department of Education	N/A	(3)	1,200
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(3)	787
Total State Grants			<u>\$ 516,039</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) GG-09-27980-00: \$63,320; GG-10-34728-00: \$66,973.
(3) Information not available.
(4) FEMA-1909-DR-TN: \$165,530; FEMA-1965-DR-TN: \$119,925; FEMA-1974-DR-TN: \$429,015; FEMA-1979-DR-TN: \$67,930.
(5) 2008-SS-T8-0048: \$3,225; 2009-SS-T9-0086: \$2,593.
(6) Total for CFDA No. 10.555 is \$392,936.

Houston County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

HOUSTON COUNTY AND HOUSTON COUNTY SCHOOL DEPARTMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.01	141	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>
11.03	142	The office had deficiencies in purchasing procedures

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.04	142	Multiple employees operated from the same cash drawer

OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.05	143	Bank statements for General Sessions and Juvenile Courts were not accurately reconciled with the general ledgers

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.06	143	The office had accounting deficiencies

HOUSTON COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.08	145	Houston County has a material recurring audit finding

**AMBULANCE SERVICE AND OFFICES OF COUNTY CLERK; CIRCUIT,
GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER;
REGISTER; AND SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.09	146	Duties were not segregated adequately

HOUSTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Houston County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Houston County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389), 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 12.01 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2012, certain general ledger account balances in the General, Highway/Public Works, General Debt Service, 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 the 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 12.02 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our audit disclosed the following deficiencies in purchasing procedures. These deficiencies are the result of management's failure to correct the finding noted in the prior-year audit report.

- 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 12.03 **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. Also, this deficiency is the result of the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK

FINDING 12.04 **BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGERS AND LISTS OF OUTSTANDING CHECKS WERE NOT PREPARED**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Bank statements for General Sessions Court had not been reconciled with the general ledger and lists of outstanding checks had not been prepared since July 2011. An attempt had been made to reconcile the bank statements and prepare lists of outstanding checks for Juvenile Court through March 2012; however, variances had not been identified and corrected. After March 2012, bank statements for Juvenile Court had not been reconciled and lists of outstanding checks had not been prepared. The reconciliation of bank statements and the monthly preparation of accurate lists of outstanding checks are necessary procedures to ensure that all cash collections and disbursements are recorded accurately in the accounting records. This deficiency exists because management failed to ensure that accounting records were properly maintained and reconciled, and management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Bank statements should be reconciled with the general ledgers monthly, and any errors discovered should be corrected promptly. Accurate lists of outstanding checks should be prepared monthly.

FINDING 12.05 **THE GENERAL SESSIONS COURT EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS**
(Noncompliance Under *Government Auditing Standards*)

At June 30, 2012, the General Sessions Court Clerk had prepared a trial balance of execution docket cause balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, the trial balance did not reconcile with cash journal accounts. The clerk held unidentified funds of \$13,280, which included \$2,611 carried forward from the former clerk who left office August 31, 2006. Therefore, we were unable to determine if the clerk had complied with the provisions of the Unclaimed Property Act, Section 66-29-110, *TCA*. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer’s Office. This deficiency exists due to the failure of management to identify all funds placed on deposit with the court.

RECOMMENDATION

The execution docket trial balance should be reconciled with cash journal accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer’s Office in compliance with state statute.

OFFICE OF SHERIFF

FINDING 12.06 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The official cash journal did not properly reflect the operations of the office. Receipts (\$27,059) and disbursements (\$25,148) for commissary operations were not included in the cash journal. Also, the cash journal did not reflect activity involving confidential drug funds, which included disbursements of \$1,405 and a balance of \$851 at June 30, 2012. Additionally, the office did not include activity involving commissary funds and confidential drug funds in its annual financial report. These operations were determined by substantive testing and alternative auditing procedures and have been included in the financial statements of this report. These deficiencies are the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

HOUSTON COUNTY

FINDING 12.07 **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 report for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
12.01, 11.01, 10.02	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*.

AMBULANCE SERVICE AND OFFICES OF COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER; AND SHERIFF

FINDING 12.08 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(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 Local Government 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, 2012**

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