
ANNUAL FINANCIAL REPORT HOUSTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



**ANNUAL FINANCIAL REPORT
HOUSTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013**

***COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON***

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

HOUSTON COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Houston County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2013.

Results

Our report on the business-type activities and the Houston County Community Hospital Fund major enterprise fund is adverse because the financial statements of the hospital were not available from other auditors at the date of this report. Our report on the governmental activities, the aggregate discretely presented component units, each major fund (except the Houston County Community Hospital Fund), and the aggregate remaining fund information is unmodified.

Our audit resulted in nine findings and recommendations, which we have reviewed with Houston County management. Detailed findings, recommendations, and management's responses 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:

OFFICE OF COUNTY MAYOR

- ◆ The General Debt Service and Other Capital Project funds required material audit adjustments for proper financial statement presentation.
- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.

OFFICE OF ASSESSOR OF PROPERTY

- ◆ Mobile homes schedules were not mailed to the land owner where the mobile home was located.
-

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 ledger.
 - ◆ 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 OF DEEDS; 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, 2013

Officials

George Clark, County Mayor
Jimmy Felts, Road Superintendent
Cathy Harvey, Director of Schools
Jimmy Lowery, Trustee
Joy Hooper, Assessor of Property
Robert Brown, County Clerk
Sharon Tomlinson, Circuit, General Sessions, and Juvenile Courts Clerk
Patsy Brooks, Clerk and Master
Sherrill Moore, Register of Deeds
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
Brant Lamastus
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

Audit Committee

James Van Fleet, Chairman
Martha Greenfield

Brant Lamastus
Leslie Lewis

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Adverse
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
Special Purpose Fund	Unmodified
Highway/Public Works Fund	Unmodified
General Debt Service Fund	Unmodified
Houston County Community Hospital Fund	Adverse
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinions on Business-type Activities and Major Enterprise Fund

As discussed in Note I.A. to the financial statements, the financial statements of the Houston County Community Hospital, a major enterprise fund and the entire business-type activities, had not been made available by other auditors as of the date of this report. Accordingly, the financial statements referred to above do not include amounts for the business-type activities and the Houston County Community Hospital major enterprise fund, 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 business-type activities and the Houston County Community Hospital major enterprise fund are not reasonably determinable.

Adverse Opinions

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinions on Business-type Activities and Major Enterprise Fund” paragraph, the financial statements referred to above do not present fairly the financial position of the business-type activities of Houston County, Tennessee, as of June 30, 2013, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In addition, in our opinion, because of the significance of the matter described in the “Basis for Adverse Opinions on Business-type Activities and Major Enterprise Fund” paragraph, the financial statements referred to above do not present fairly the financial position of the Houston County Community Hospital major enterprise fund of Houston County, Tennessee, as of June 30, 2013, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund (except for the Houston County Community Hospital major enterprise fund), and the aggregate remaining fund information of Houston County, Tennessee, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the General, Special Purpose, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 schedule of funding progress - other postemployment benefits plan on pages 63 - 64 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.

Supplementary and Other Information

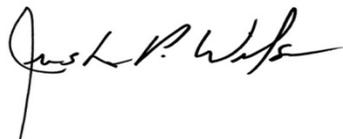
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Houston County School Department (a discretely presented component unit), and miscellaneous schedules are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described above in the "Basis for Adverse Opinions on Business-type Activities" paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, on our consideration of Houston County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Houston County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 22, 2013

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Houston County, Tennessee
Statement of Net Position
June 30, 2013

	<u>Primary Governmental Activities</u>	<u>Component Unit Houston County School Department</u>
<u>ASSETS</u>		
Cash	\$ 6,387	\$ 0
Equity in Pooled Cash and Investments	4,672,390	5,308,234
Accounts Receivable	1,228,533	0
Allowance for Uncollectibles	(512,344)	0
Due from Other Governments	426,882	340,189
Due from Component Units	105,130	0
Property Taxes Receivable	2,592,800	667,080
Allowance for Uncollectible Property Taxes	(136,501)	(35,119)
Accrued Interest Receivable	0	18,437
Capital Assets:		
Assets Not Depreciated:		
Land	973,624	333,220
Construction in Progress	792,758	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,268,321	7,122,587
Infrastructure	1,563,666	0
Other Capital Assets	1,046,588	1,259,535
Total Assets	<u>\$ 17,028,234</u>	<u>\$ 15,014,163</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 5,222	\$ 137,883
Payroll Deductions Payable	392	45,334
Contracts Payable	96,890	0
Retainage Payable	31,130	0
Due to State of Tennessee	526	0
Accrued Interest Payable	69,669	0
Noncurrent Liabilities:		
Due Within One Year	1,267,756	0
Due in More Than One Year	15,058,841	301,490
Total Liabilities	<u>\$ 16,530,426</u>	<u>\$ 484,707</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	<u>\$ 2,320,910</u>	<u>\$ 597,128</u>
Total Deferred Inflows of Resources	<u>\$ 2,320,910</u>	<u>\$ 597,128</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 268,708	\$ 0
Investment in Capital Assets	0	8,715,342
Restricted for:		
General Government	5,756	0
Finance	2,104	0
Administration of Justice	18,207	0
Public Safety	170,251	0
Public Health and Welfare	565,920	0
Other Operations	166,260	0
Highway/Public Works	1,185,469	0
Capital Outlay	31,359	0
Debt Service	1,551,097	0
Education	0	8,211
Operation of Non-Instructional Services	0	236,261
Unrestricted	<u>(5,788,233)</u>	<u>4,972,514</u>
Total Net Position	<u>\$ (1,823,102)</u>	<u>\$ 13,932,328</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Government	Unit
						Houston County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 550,940	\$ 78,423	\$ 16,164	\$ 18,885	\$ (437,468)	\$ 0
Finance	361,599	208,309	0	0	(153,290)	0
Administration of Justice	360,285	154,540	9,700	0	(196,045)	0
Public Safety	1,419,842	282,832	232,942	513,571	(390,497)	0
Public Health and Welfare	2,091,715	653,120	186,144	0	(1,252,451)	0
Social, Cultural, and Recreational Services	215,126	5,000	0	0	(210,126)	0
Agriculture and Natural Resources	44,216	0	0	0	(44,216)	0
Other Operations	356,361	37,442	115,885	0	(203,034)	0
Highway/Public Works	1,774,246	25,296	1,333,784	30,162	(385,004)	0
Interest on Long-term Debt	224,726	0	474,272	0	249,546	0
Other Debt Service	7,774	0	0	0	(7,774)	0
Total Primary Government	\$ 7,406,830	\$ 1,444,962	\$ 2,368,891	\$ 562,618	\$ (3,030,359)	\$ 0
Component Unit:						
Houston County School Department	\$ 12,271,636	\$ 334,064	\$ 1,764,994	\$ 109,308	\$ 0	\$ (10,063,270)
Total Component Unit	\$ 12,271,636	\$ 334,064	\$ 1,764,994	\$ 109,308	\$ 0	\$ (10,063,270)

(Continued)

Exhibit B

Houston County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
				Government	Unit
			Total	Houston	
			Governmental	School	Department
			Activities		
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes			\$ 2,554,286	\$	663,839
Property Taxes Levied for Debt Service			25,090		0
Local Option Sales Taxes			108,255		542,465
Payments in-Lieu-of Taxes - Local Utilities			31,169		0
Wheel Tax			320,386		0
Wholesale Beer Tax			32,910		0
Other Local Taxes			37,814		39,803
Grants and Contributions Not Restricted to Specific Programs			164,089		8,564,526
Unrestricted Investment Income			0		32,586
Miscellaneous			86,965		32,446
Total General Revenues			\$ 3,360,964	\$	9,875,665
Transfers					0
Change in Net Position			\$ (1,293,375)	\$	(187,605)
Net Position, July 1, 2012			\$ (962,770)	\$	14,119,933
			(860,332)		
Net Position, June 30, 2013			\$ (1,823,102)	\$	13,932,328

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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Special Purpose	Highway/ Public Works	General Debt Service	Other	Governmental Funds	
ASSETS							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,387	\$ 6,387
Equity in Pooled Cash and Investments	924,114	550,630	1,101,611	1,689,707	406,328	4,672,390	4,672,390
Accounts Receivable	1,228,271	0	242	0	20	1,228,533	1,228,533
Allowance for Uncollectibles	(512,344)	0	0	0	0	(512,344)	(512,344)
Due from Other Governments	88,815	0	254,645	52	83,370	426,882	426,882
Due from Component Units	0	0	285	104,845	0	105,130	105,130
Property Taxes Receivable	2,328,486	0	12,586	25,173	226,555	2,592,800	2,592,800
Allowance for Uncollectible Property Taxes	(122,587)	0	(662)	(1,325)	(11,927)	(136,501)	(136,501)
Total Assets	\$ 3,934,755	\$ 550,630	\$ 1,368,707	\$ 1,818,452	\$ 710,733	\$ 8,383,277	\$ 8,383,277
LIABILITIES							
Accounts Payable	\$ 1,552	\$ 0	\$ 3,670	\$ 0	\$ 0	\$ 5,222	\$ 5,222
Payroll Deductions Payable	0	0	392	0	0	392	392
Contracts Payable	0	0	0	0	96,890	96,890	96,890
Retainage Payable	0	0	0	0	31,130	31,130	31,130
Due to State of Tennessee	526	0	0	0	0	526	526
Total Liabilities	\$ 2,078	\$ 0	\$ 4,062	\$ 0	\$ 128,020	\$ 134,160	\$ 134,160
DEFERRED INFLOWS OF RESOURCES							
Deferred Current Property Taxes	\$ 2,084,312	\$ 0	\$ 11,267	\$ 22,533	\$ 202,798	\$ 2,320,910	\$ 2,320,910
Deferred Delinquent Property Taxes	116,237	0	630	1,261	11,290	129,418	129,418
Other Deferred/Unavailable Revenue	689,479	0	110,845	0	4,000	804,324	804,324
Total Deferred Inflows of Resources	\$ 2,890,028	\$ 0	\$ 122,742	\$ 23,794	\$ 218,088	\$ 3,254,652	\$ 3,254,652

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Restricted:							
Restricted for General Government	\$ 5,756	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	5,756
Restricted for Finance	2,104	0	0	0	0	0	2,104
Restricted for Administration of Justice	18,207	0	0	0	0	0	18,207
Restricted for Public Safety	23,000	0	0	0	147,251	0	170,251
Restricted for Public Health and Welfare	0	550,630	0	0	0	0	550,630
Restricted for Other Operations	166,260	0	0	0	0	0	166,260
Restricted for Highways/Public Works	0	0	1,092,023	0	0	0	1,092,023
Restricted for Capital Outlay	0	0	0	0	31,359	0	31,359
Restricted for Debt Service	0	0	0	1,618,999	0	0	1,618,999
Committed:							
Committed for General Government	0	0	0	0	226	0	226
Committed for Finance	0	0	0	0	6,181	0	6,181
Committed for Public Health and Welfare	0	0	0	0	179,608	0	179,608
Committed for Highways/Public Works	0	0	149,880	0	0	0	149,880
Committed for Debt Service	0	0	0	175,659	0	0	175,659
Unassigned	827,322	0	0	0	0	0	827,322
Total Fund Balances	\$ 1,042,649	\$ 550,630	\$ 1,241,903	\$ 1,794,658	\$ 364,625	\$ 0	4,994,465
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,934,755	\$ 550,630	\$ 1,368,707	\$ 1,818,452	\$ 710,733	\$ 0	8,383,277

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 Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,994,465
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	973,624	
Add: construction in progress		792,758	
Add: buildings and improvements net of accumulated depreciation		4,268,321	
Add: infrastructure net of accumulated depreciation		1,563,666	
Add: other capital assets net of accumulated depreciation		<u>1,046,588</u>	8,644,957
(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	\$	(1,457,811)	
Less: other loans payable		(14,132,350)	
Less: bonds payable		(124,795)	
Less: compensated absences payable		(17,523)	
Less: landfill closure/postclosure care costs		(594,118)	
Less: accrued interest on notes, other loans, and bonds		<u>(69,669)</u>	(16,396,266)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>933,742</u>
Net position of governmental activities (Exhibit A)		\$	<u>(1,823,102)</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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Revenues							
Local Taxes	\$ 2,544,622	\$ 0	\$ 13,042	\$ 352,180	\$ 234,749	\$ 3,144,593	
Licenses and Permits	2,935	0	0	0	0	2,935	
Fines, Forfeitures, and Penalties	37,754	0	0	0	140,505	178,259	
Charges for Current Services	530,915	0	0	0	74,179	605,094	
Other Local Revenues	138,505	30,000	48,375	2,598	4,044	223,522	
Fees Received from County Officials	266,191	0	0	0	0	266,191	
State of Tennessee	326,206	0	1,260,598	64,199	52,321	1,703,324	
Federal Government	153,825	0	106,634	0	557,277	817,736	
Other Governments and Citizens Groups	149,729	0	0	492,630	0	642,359	
Total Revenues	\$ 4,150,682	\$ 30,000	\$ 1,428,649	\$ 911,607	\$ 1,063,075	\$ 7,584,013	
Expenditures							
Current:							
General Government	\$ 523,826	\$ 0	\$ 0	\$ 0	\$ 0	\$ 523,826	
Finance	291,348	0	0	0	59,814	351,162	
Administration of Justice	334,049	0	0	0	13,408	347,457	
Public Safety	1,352,869	0	0	0	55,289	1,408,158	
Public Health and Welfare	934,326	3,199,145	0	0	274,390	4,407,861	
Social, Cultural, and Recreational Services	201,076	0	0	0	0	201,076	
Agriculture and Natural Resources	42,857	0	0	0	0	42,857	
Other Operations	470,786	0	0	0	24,039	494,825	
Highways	0	0	1,953,555	0	0	1,953,555	
Debt Service:							
Principal on Debt	0	0	25,940	795,838	0	821,778	
Interest on Debt	0	0	1,775	175,787	0	177,562	
Other Debt Service	0	0	0	7,774	0	7,774	
Capital Projects	0	0	0	0	682,212	682,212	
Total Expenditures	\$ 4,151,137	\$ 3,199,145	\$ 1,981,270	\$ 979,399	\$ 1,109,152	\$ 11,420,103	
Excess (Deficiency) of Revenues Over Expenditures	\$ (455)	\$ (3,169,145)	\$ (552,621)	\$ (67,792)	\$ (46,077)	\$ (3,836,090)	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 105,000	\$ 0	\$ 255,000	\$ 97,550	\$ 200,000	\$ 657,550	
Other Loans Issued	0	5,013,150	0	0	0	5,013,150	
Insurance Recovery	1,140	0	0	0	0	1,140	
Transfers Out	0	(1,293,375)	0	0	0	(1,293,375)	
Total Other Financing Sources (Uses)	\$ 106,140	\$ 3,719,775	\$ 255,000	\$ 97,550	\$ 200,000	\$ 4,378,465	
Net Change in Fund Balances	\$ 105,685	\$ 550,630	\$ (297,621)	\$ 29,758	\$ 153,923	\$ 542,375	
Fund Balance, July 1, 2012	936,964	0	1,539,524	1,764,900	210,702	4,452,090	
Fund Balance, June 30, 2013	\$ 1,042,649	\$ 550,630	\$ 1,241,903	\$ 1,794,658	\$ 364,625	\$ 4,994,465	

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, 2013

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)		\$ 542,375
(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	\$ 3,631,411	
Less: current-year depreciation expense	<u>(382,079)</u>	3,249,332
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: proceeds received from disposal of capital assets		(3,414)
(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, 2013	\$ 933,742	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(776,906)</u>	156,836
(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 position.		
Less: note proceeds	\$ (657,550)	
Less: other loan proceeds	(5,013,150)	
Add: principal payments on notes	302,577	
Add: principal payments on other loans	494,000	
Add: principal payments on bonds	<u>25,201</u>	(4,848,922)
(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	\$ (47,164)	
Change in compensated absences payable	(735)	
Change in landfill closure/postclosure care costs	<u>(11,078)</u>	<u>(58,977)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (962,770)</u>

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

Exhibit C-5

Houston County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,544,622	\$ 2,515,828	\$ 2,485,828	\$ 58,794
Licenses and Permits	2,935	2,500	2,500	435
Fines, Forfeitures, and Penalties	37,754	31,200	31,200	6,554
Charges for Current Services	530,915	586,800	586,800	(55,885)
Other Local Revenues	138,505	55,500	86,649	51,856
Fees Received from County Officials	266,191	251,000	251,000	15,191
State of Tennessee	326,206	661,209	706,300	(380,094)
Federal Government	153,825	0	69,069	84,756
Other Governments and Citizens Groups	149,729	161,281	161,281	(11,552)
Total Revenues	\$ 4,150,682	\$ 4,265,318	\$ 4,380,627	\$ (229,945)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 46,040	\$ 61,987	\$ 79,137	\$ 33,097
Board of Equalization	1,076	1,748	1,748	672
Budget and Finance Committee	5,440	5,543	5,543	103
Other Boards and Committees	17,563	12,631	17,631	68
County Mayor/Executive	137,007	147,609	147,609	10,602
County Attorney	18,940	19,415	19,415	475
Election Commission	128,556	153,252	152,752	24,196
Register of Deeds	90,967	94,576	94,576	3,609
Planning	3,251	3,290	3,290	39
Building	162	7,500	7,500	7,338
County Buildings	67,791	81,523	81,523	13,732
Other General Administration	7,033	21,000	21,000	13,967
Preservation of Records	0	1,500	1,500	1,500
<u>Finance</u>				
Central Services	12,866	12,984	12,984	118
Property Assessor's Office	87,924	92,827	92,797	4,873
Reappraisal Program	5,913	8,643	8,643	2,730
County Trustee's Office	104,185	115,460	115,460	11,275
County Clerk's Office	78,874	86,775	86,775	7,901
Data Processing	1,586	3,436	3,436	1,850
<u>Administration of Justice</u>				
Circuit Court	121,839	140,671	140,671	18,832
General Sessions Judge	58,730	58,858	59,258	528
Chancery Court	92,049	92,792	93,992	1,943
Juvenile Court	44,986	52,443	52,443	7,457
District Attorney General	2,585	2,585	2,585	0
Judicial Commissioners	13,860	13,965	13,965	105
Other Administration of Justice	0	5,000	5,000	5,000
<u>Public Safety</u>				
Sheriff's Department	553,418	586,887	586,152	32,734
Special Patrols	14,463	0	18,606	4,143
Drug Enforcement	2,070	3,000	3,000	930
Administration of the Sexual Offender Registry	350	2,000	2,000	1,650
Jail	506,208	521,372	533,697	27,489
Fire Prevention and Control	88,657	89,174	101,801	13,144
Rural Fire Protection	1,553	3,052	5,077	3,524

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Other Emergency Management	\$ 177,630	\$ 201,784	\$ 201,784	\$ 24,154
County Coroner/Medical Examiner	8,520	12,000	12,000	3,480
<u>Public Health and Welfare</u>				
Local Health Center	34,720	38,110	38,110	3,390
Ambulance/Emergency Medical Services	641,174	707,361	707,361	66,187
Other Local Health Services	23,095	25,283	27,100	4,005
Regional Mental Health Center	136,854	50,870	178,955	42,101
General Welfare Assistance	51,156	58,131	58,131	6,975
Sanitation Education/Information	37,327	39,200	39,200	1,873
Other Public Health and Welfare	10,000	0	300,000	290,000
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	51,390	51,890	51,890	500
Libraries	117,286	119,170	119,171	1,885
Other Social, Cultural, and Recreational	32,400	37,400	37,400	5,000
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	34,337	34,852	35,202	865
Forest Service	0	0	1,500	1,500
Soil Conservation	8,520	11,645	11,645	3,125
<u>Other Operations</u>				
Tourism	38,162	51,462	51,462	13,300
Tourism-Resort District	0	140,000	140,000	140,000
Other Economic and Community Development	67,495	88,672	88,672	21,177
Airport	136,039	206,750	239,926	103,887
Veterans' Services	18,820	19,168	19,168	348
Other Charges	32,123	47,650	47,650	15,527
Contributions to Other Agencies	0	2,500	2,500	2,500
Employee Benefits	49,511	62,000	62,000	12,489
Payments to Cities	6,691	7,000	7,000	309
Miscellaneous	121,945	69,536	127,246	5,301
<u>Principal on Debt</u>				
General Government	0	412,500	406,500	406,500
<u>Capital Projects</u>				
General Administration Projects	0	12,000	12,000	12,000
Social, Cultural, and Recreation Projects	0	0	7,500	7,500
Other General Government Projects	0	0	62,000	62,000
Total Expenditures	\$ 4,151,137	\$ 5,010,432	\$ 5,664,639	\$ 1,513,502
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (455)	\$ (745,114)	\$ (1,284,012)	\$ 1,283,557
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 105,000	\$ 505,000	\$ 505,000	\$ (400,000)
Insurance Recovery	1,140	0	0	1,140
Total Other Financing Sources	\$ 106,140	\$ 505,000	\$ 505,000	\$ (398,860)
Net Change in Fund Balance	\$ 105,685	\$ (240,114)	\$ (779,012)	\$ 884,697
Fund Balance, July 1, 2012	936,964	915,081	915,081	21,883
Fund Balance, June 30, 2013	\$ 1,042,649	\$ 674,967	\$ 136,069	\$ 906,580

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

Exhibit C-6

Houston County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Special Purpose Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 30,000	\$ 0	\$ 30,000	\$ 0
Federal Government	0	7,500,000	0	0
Total Revenues	<u>\$ 30,000</u>	<u>\$ 7,500,000</u>	<u>\$ 30,000</u>	<u>\$ 0</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Local Health Services	\$ 3,199,145	\$ 7,500,000	\$ 6,236,625	\$ 3,037,480
Total Expenditures	<u>\$ 3,199,145</u>	<u>\$ 7,500,000</u>	<u>\$ 6,236,625</u>	<u>\$ 3,037,480</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,169,145)</u>	<u>\$ 0</u>	<u>\$ (6,206,625)</u>	<u>\$ 3,037,480</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 5,013,150	\$ 0	\$ 7,500,000	\$ (2,486,850)
Transfers Out	(1,293,375)	0	(1,293,375)	0
Total Other Financing Sources	<u>\$ 3,719,775</u>	<u>\$ 0</u>	<u>\$ 6,206,625</u>	<u>\$ (2,486,850)</u>
Net Change in Fund Balance	\$ 550,630	\$ 0	\$ 0	\$ 550,630
Fund Balance, July 1, 2012	0	0	0	0
Fund Balance, June 30, 2013	<u>\$ 550,630</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 550,630</u>

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

Exhibit C-7

Houston County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 13,042	\$ 0	\$ 13,042	\$ 14,890	\$ 14,890	\$ (1,848)
Fines, Forfeitures, and Penalties	0	0	0	100	100	(100)
Other Local Revenues	48,375	0	48,375	36,000	37,000	11,375
State of Tennessee	1,260,598	0	1,260,598	1,523,497	1,523,497	(262,899)
Federal Government	106,634	0	106,634	344,000	344,000	(237,366)
Total Revenues	\$ 1,428,649	\$ 0	\$ 1,428,649	\$ 1,918,487	\$ 1,919,487	\$ (490,838)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 154,521	\$ 0	\$ 154,521	\$ 165,770	\$ 165,770	\$ 11,249
Highway and Bridge Maintenance	1,072,239	0	1,072,239	1,552,000	1,546,400	474,161
Operation and Maintenance of Equipment	192,017	0	192,017	240,500	244,500	52,483
Other Charges	43,391	0	43,391	58,200	58,200	14,809
Employee Benefits	216,961	0	216,961	229,300	230,900	13,939
Capital Outlay	274,426	155,177	429,603	213,600	469,600	39,997
<u>Principal on Debt</u>						
Highways and Streets	25,940	0	25,940	58,445	59,273	33,333
<u>Interest on Debt</u>						
Highways and Streets	1,775	0	1,775	2,602	1,775	0
Total Expenditures	\$ 1,981,270	\$ 155,177	\$ 2,136,447	\$ 2,520,417	\$ 2,776,418	\$ 639,971
Excess (Deficiency) of Revenues Over Expenditures	\$ (552,621)	\$ (155,177)	\$ (707,798)	\$ (601,930)	\$ (856,931)	\$ 149,133

(Continued)

Exhibit C-7

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 255,000	0	\$ 255,000	0	\$ 255,000	\$ 0
Total Other Financing Sources	\$ 255,000	0	\$ 255,000	0	\$ 255,000	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (297,621)	(155,177)	\$ (452,798)	(601,930)	\$ (601,931)	\$ 149,133
	1,539,524	0	1,539,524	1,452,037	1,452,037	87,487
Fund Balance, June 30, 2013	\$ 1,241,903	(155,177)	\$ 1,086,726	\$ 850,107	\$ 850,106	\$ 236,620

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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 208,667
Due from Other Governments	<u>74,140</u>
Total Assets	<u>\$ 282,807</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 74,140
Due to Litigants, Heirs, and Others	<u>208,667</u>
Total Liabilities	<u>\$ 282,807</u>

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

HOUSTON COUNTY, TENNESSEE
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HOUSTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Houston County's financial statements are presented in accordance with generally accepted accounting principles (GAAP), except for the business-type activities and Houston County Community Hospital major fund, which have been omitted because the financial statements of the Houston County Community Hospital, a major enterprise fund, and the entire business-type activities, had not been made available by other auditors as of the date of this report. 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 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; however, in our opinion, this omission is not material to the component units' opinion unit.

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 Position 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. 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, 2013.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. The fiduciary funds are excluded from

the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements; however, the financial statements of the Houston County Community Hospital that should be reported as an enterprise fund, were not available from other auditors in time for inclusion in this report as previously noted.

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 proprietary fund and 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Houston County only reports one proprietary fund, a major enterprise fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and the major enterprise fund 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 funds 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.

Special Purpose Fund – This special revenue fund accounts for transactions of the county’s acquisition of a local hospital and subsequent transfers for operations. Other loan proceeds are the primary financing source of this 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.

Houston County reports the following major proprietary fund:

Houston County Community Hospital Fund – This fund provides health care and emergency medical services to the citizens of Houston County and is governed by the County Commission. The Houston County Community Hospital is reported as an enterprise fund. The financial statements of the Houston County Community Hospital were not available from other auditors in time for inclusion in this report, as previously mentioned.

Additionally, Houston County reports the following fund types:

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

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

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

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

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

Special Revenue Funds – These funds account for 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.

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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position /Fund Balance

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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.73 percent of total taxes levied.

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 a deferred inflow of resources 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 as a deferred inflow of resources to reflect amounts not

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

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

Retainage payable in the primary government's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. 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.

6. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

7. Net Position and Fund Balance

In the government-wide financial statements, equity is classified as net position and may be displayed in the following components:

- a. Net investment in capital assets – 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. Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- c. Restricted net position – Consists of net position 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.
- d. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

The government-wide Statement of Net Position reports \$3,696,423 of restricted net position, of which \$166,260 is restricted by enabling legislation.

As of June 30, 2013, Houston County had \$7,338,707 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 position with no corresponding increase in the county's capital assets.

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.

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 Commission has by resolution authorized the county’s Budget Committee to make assignments for the general government. The Board of Education makes assignments by resolution for the School Department.

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 Position

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 Position.

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 Position.

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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Budget and Finance Committee, Other Boards and Committees, 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 GAAP basis is presented on the face of each budgetary schedule.

At June 30, 2013, Houston County and the Houston County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government:		
Major Fund:		
Highway/Public Works	Bridge construction	\$ 155,177
School Department:		
Major Fund:		
General Purpose School	Buses	101,284

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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents 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, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance			Balance
	7-1-12	Increases	Decreases	6-30-13
Capital Assets Not Depreciated:				
Land	\$ 699,908	\$ 273,716	\$ 0	\$ 973,624
Construction in Progress	67,958	724,800	0	792,758
Total Capital Assets Not Depreciated	<u>\$ 767,866</u>	<u>\$ 998,516</u>	<u>\$ 0</u>	<u>\$ 1,766,382</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,292,442	\$ 2,200,000	\$ 0	\$ 5,492,442
Infrastructure	1,807,928	20,000	0	1,827,928
Other Capital Assets	4,568,193	412,895	(129,942)	4,851,146
Total Capital Assets Depreciated	<u>\$ 9,668,563</u>	<u>\$ 2,632,895</u>	<u>\$ (129,942)</u>	<u>\$ 12,171,516</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,129,776	\$ 94,345	\$ 0	\$ 1,224,121
Infrastructure	179,196	85,066	0	264,262
Other Capital Assets	3,728,418	202,668	(126,528)	3,804,558
Total Accumulated Depreciation	<u>\$ 5,037,390</u>	<u>\$ 382,079</u>	<u>\$ (126,528)</u>	<u>\$ 5,292,941</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,631,173</u>	<u>\$ 2,250,816</u>	<u>\$ (3,414)</u>	<u>\$ 6,878,575</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,399,039</u>	<u>\$ 3,249,332</u>	<u>\$ (3,414)</u>	<u>\$ 8,644,957</u>

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

Governmental Activities:

General Government	\$ 14,484
Finance	2,163
Administration of Justice	10,923
Public Safety	107,256
Public Health and Welfare	70,379
Social, Cultural, and Recreational Services	11,630
Agriculture and Natural Resources	1,339
Other Operations	34,123
Highway/Public Works	<u>129,782</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 382,079</u>

Discretely Presented Houston County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 333,220	\$ 0	\$ 0	\$ 333,220
Construction in Progress	83,127	0	(83,127)	0
Total Capital Assets Not Depreciated	<u>\$ 416,347</u>	<u>\$ 0</u>	<u>\$ (83,127)</u>	<u>\$ 333,220</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,829,501	\$ 0	\$ 0	\$ 13,829,501
Other Capital Assets	2,937,602	195,552	0	3,133,154
Total Capital Assets Depreciated	<u>\$ 16,767,103</u>	<u>\$ 195,552</u>	<u>\$ 0</u>	<u>\$ 16,962,655</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,394,831	\$ 312,083	\$ 0	\$ 6,706,914
Other Capital Assets	1,707,464	166,155	0	1,873,619
Total Accumulated Depreciation	<u>\$ 8,102,295</u>	<u>\$ 478,238</u>	<u>\$ 0</u>	<u>\$ 8,580,533</u>
Total Capital Assets Depreciated, Net	<u>\$ 8,664,808</u>	<u>\$ (282,686)</u>	<u>\$ 0</u>	<u>\$ 8,382,122</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,081,155</u>	<u>\$ (282,686)</u>	<u>\$ (83,127)</u>	<u>\$ 8,715,342</u>

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

Governmental Activities:

Instruction	\$ 207,759
Support Services	240,684
Operation of Non-Instructional Services	<u>29,795</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 478,238</u></u>

C. Construction Commitments

At June 30, 2013, the Highway Department had uncompleted construction contracts of approximately \$155,177 for the construction of two bridges. Funding for these future expenditures is expected to be received from state grants.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, 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	\$ 285
General Debt Service	"	104,845

Interfund Transfers:

The county made transfers of \$1,293,375 from the Special Purpose Fund to the Houston County Community Hospital (major enterprise fund) to provide funds for operations. The financial statements of the Houston County Community Hospital were not available from other auditors as of the date of this report.

E. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Houston County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. 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 ten 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, 2013, 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, 2013, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	4 to 5%	%	12-28-17	\$ 606,500	\$ 124,795
Capital Outlay Notes	2.45 to 3.99		7-10-19	2,051,333	1,457,811
Other Loans	variable-3.125		5-25-27	18,459,350	14,132,350

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, 2013, 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, 2013, the variable interest rate was .16 percent for all loans. Other fees totaled 1.2 percent (letter of credit fee), .08 percent (remarketing fee), and .15 percent (trustee fee) of the outstanding loan principal.

During 2012-13, Houston County entered into an agreement with the U.S. Department of Agriculture to receive funding from the Community

Facilities Loans and Grants program. Under this agreement, the department made available \$7,500,000 to fund the purchase and initial operation costs of the Houston County Community Hospital. As of June 30, 2013, Houston County had drawn \$5,013,150 of the available \$7,500,000 loan. This loan is repayable at an interest rate of 3.125 percent.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 25,626	\$ 5,642	\$ 31,268
2015	26,072	4,396	30,468
2016	30,537	3,031	33,568
2017	31,025	1,543	32,568
2018	11,535	533	12,068
Total	\$ 124,795	\$ 15,145	\$ 139,940

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 663,842	\$ 43,193	\$ 707,035
2015	204,027	26,030	230,057
2016	281,105	19,030	300,135
2017	68,948	10,451	79,399
2018	70,275	8,119	78,394
2019-2023	169,614	15,498	185,112
Total	\$ 1,457,811	\$ 122,321	\$ 1,580,132

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 518,000	\$ 171,252	\$ 124,057	\$ 813,309
2015	5,557,150	170,423	117,064	5,844,637
2016	571,000	12,892	109,720	693,612
2017	600,000	11,978	102,012	713,990
2018	631,000	11,018	93,912	735,930
2019-2023	3,413,200	39,448	337,270	3,789,918
2024-2027	2,842,000	11,160	96,925	2,950,085
Total	\$ 14,132,350	\$ 428,171	\$ 980,960	\$ 15,541,481

There is \$1,794,658 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$1,865, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligation activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2012	\$ 149,996	\$ 1,102,838	\$ 9,613,200
Additions	0	657,550	5,013,150
Reductions	<u>(25,201)</u>	<u>(302,577)</u>	<u>(494,000)</u>
Balance, June 30, 2013	<u>\$ 124,795</u>	<u>\$ 1,457,811</u>	<u>\$ 14,132,350</u>
Balance Due Within One Year	<u>\$ 25,626</u>	<u>\$ 663,842</u>	<u>\$ 518,000</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2012	\$ 16,788	\$ 583,040
Additions	24,314	11,078
Reductions	<u>(23,579)</u>	<u>0</u>
Balance, June 30, 2013	<u>\$ 17,523</u>	<u>\$ 594,118</u>
Balance Due Within One Year	<u>\$ 876</u>	<u>\$ 59,412</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, 2013	\$ 16,326,597
Less: Balance Due Within One Year	<u>(1,267,756)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,058,841</u>

Discretely Presented Houston County School Department

Changes in Long-term Obligations

Long-term obligation activity for the discretely presented Houston County School Department for the year ended June 30, 2013, was as follows:

	<u>Other Postemployment Benefits</u>
Governmental Activities:	
Balance, July 1, 2012	\$ 226,860
Additions	108,442
Reductions	<u>(33,812)</u>
Balance, June 30, 2013	<u>\$ 301,490</u>
Balance Due Within One Year	<u>\$ 0</u>

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

F. 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 \$7,909,655 with annual requirements ranging from approximately \$464,601 in the next fiscal year to \$686,761 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 \$440,865 and \$400,000, respectively.

G. 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, 2013, were \$17,710 and \$6,950, respectively. The School

Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

Employee Health Insurance

With the exception of the Highway Department, Houston County does not offer employee health insurance coverage. Employees of the Highway Department are provided health insurance coverage through the purchase of commercial insurance; however, retirees are not allowed to participate in the health insurance plan. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Workers' Compensation Insurance

Houston County participates in the Local Government Workers' Compensation Fund (LGWCF), a public entity risk pool established under the provisions of Section 29-20-401, *Tennessee Code Annotated (TCA)*, by the Tennessee County Services Association to provide a program of workers' compensation coverage to employees of local governments. The county pays an annual premium to the LGWCF for its workers' compensation insurance coverage. The LGWCF is to be self-sustaining through member premiums. The LGWCF reinsures through commercial insurance companies for claims exceeding \$300,000.

Liability, Property, and Casualty

The county is exposed to various risks related to general liability, property, and casualty losses. Houston County participates in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. The county pays an annual premium to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Discretely Presented Houston County School Department

Employee Health Insurance

The Houston County School Department participates in the Local Education Group Insurance Fund (LEGIF), which is a public entity risk pool established to provide a program of health insurance coverage for employees of local

education agencies. In accordance with Section 8-27-301, *TCA*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

Workers' Compensation, Liability, Property, and Casualty

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Houston County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of

the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Events

On July 10, 2013, Houston County issued capital outlay notes totaling \$62,000 to purchase a building.

Subsequent to June 30, 2013, the county's General Debt Service Fund issued the following revenue anticipation notes to the Special Purpose Fund for temporary operating funds:

Date Issued	Amount
8-1-13	\$ 126,170
8-14-13	104,000
8-28-13	108,500
10-21-13	78,207

D. Contingent Liabilities

The county and the 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.

E. Change in Administration

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

F. 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 \$594,118 reported as postclosure care liability at June 30, 2013, represents amounts based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Jointly Governed Organizations

The Houston-Stewart County Industrial Park Board operates an industrial park that is jointly owned by Stewart and Houston counties. The board comprises seven members. The Stewart and Houston County commissions appoint the board members alternately (four one year and three the next year); however, the counties do not have any ongoing 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 on October 25, 1990, and so remains until such time as a need develops.

The Industrial Development Board of Houston-Stewart Counties has been delegated the authority to develop, operate and maintain an industrial site located near the Stewart-Houston County line near Cumberland City, Tennessee. The board operates in conjunction with the Houston-Stewart Industrial Park Board and is comprised of eight members. The Stewart and

Houston County Commissions appoint the board members; however, the counties do not have any ongoing financial interest or responsibility for the entity.

H. Retirement Commitments

With the exception of the School Department discussed below, Houston County elected not to provide a retirement plan for its employees.

SCHOOL TEACHERS

Plan Description

The Houston County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

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

rate for the fiscal year ended June 30, 2013, was 8.88 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, 2013, 2012, and 2011, were \$465,675, \$468,971, and \$460,762, respectively, equal to the required contributions for each year.

I. 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. During the year ended June 30, 2013, the Houston County School Department contributed \$33,812 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 109,000
Interest on the NOPEBO	9,074
Adjustment to the ARC	(9,632)
Annual OPEB cost	<hr/> \$ 108,442
Less: Amount of contribution	(33,812)
Increase/decrease in NOPEBO	<hr/> \$ 74,630
Net OPEB obligation, 7-1-12	<hr/> 226,860
Net OPEB obligation, 6-30-13	<hr/> <hr/> \$ 301,490

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
				<hr/>
6-30-11	Local Education Group	\$ 79,255	45%	\$ 151,232
6-30-12	"	107,628	30	226,860
6-30-13	"	108,442	31	301,490

Funded Status and Funding Progress

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

	Local Education Group Plan
	<hr/>
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 8.75 percent for fiscal year 2013. The trend will decrease to 8.25 percent in fiscal year 2014 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, 2007.

J. 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

Houston County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Houston County School Department
June 30, 2013

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for grant and note proceeds received for the construction of an emergency response center.

Exhibit F-1

Houston County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2013

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Other Capital Projects		
\$	0	0	6,387	6,387	0	0	6,387
	177,992	147,251	0	325,243	81,085	0	406,328
	0	0	20	20	0	0	20
	5,076	0	0	5,076	78,294	0	83,370
	226,555	0	0	226,555	0	0	226,555
	(11,927)	0	0	(11,927)	0	0	(11,927)
\$	397,696	147,251	6,407	551,354	159,379	0	710,733

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

Contracts Payable
 Retainage Payable
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

FUND BALANCES

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

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Exhibit F-2

Houston County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>								
Local Taxes	\$ 234,749	\$ 0	\$ 0	\$ 234,749	\$ 0	\$ 0	\$ 0	\$ 234,749
Fines, Forfeitures, and Penalties	0	140,505	0	140,505	0	0	0	140,505
Charges for Current Services	0	0	74,179	74,179	0	0	0	74,179
Other Local Revenues	4,044	0	0	4,044	0	0	0	4,044
State of Tennessee	52,321	0	0	52,321	0	0	0	52,321
Federal Government	0	24,821	0	24,821	18,885	513,571	532,456	557,277
Total Revenues	\$ 291,114	\$ 165,326	\$ 74,179	\$ 530,619	\$ 18,885	\$ 513,571	\$ 532,456	\$ 1,063,075
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 59,814	\$ 59,814	\$ 0	\$ 0	\$ 0	\$ 59,814
Administration of Justice	0	0	13,408	13,408	0	0	0	13,408
Public Safety	0	55,289	0	55,289	0	0	0	55,289
Public Health and Welfare	274,390	0	0	274,390	0	0	0	274,390
Other Operations	5,154	0	0	5,154	18,885	0	18,885	24,039
Capital Projects	0	0	0	0	682,212	682,212	682,212	682,212
Total Expenditures	\$ 279,544	\$ 55,289	\$ 73,222	\$ 408,055	\$ 18,885	\$ 682,212	\$ 701,097	\$ 1,109,152
Excess (Deficiency) of Revenues Over Expenditures	\$ 11,570	\$ 110,037	\$ 957	\$ 122,564	\$ 0	\$ (168,641)	\$ (168,641)	\$ (46,077)
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 200,000	\$ 200,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,000	\$ 200,000	\$ 200,000
Net Change in Fund Balances	\$ 11,570	\$ 110,037	\$ 957	\$ 122,564	\$ 0	\$ 31,359	\$ 31,359	\$ 153,923
Fund Balance, July 1, 2012	168,038	37,214	5,450	210,702	0	0	0	210,702
Fund Balance, June 30, 2013	\$ 179,608	\$ 147,251	\$ 6,407	\$ 333,266	\$ 0	\$ 31,359	\$ 31,359	\$ 364,625

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 234,749	\$ 233,300	\$ 230,900	\$ 3,849
Other Local Revenues	4,044	6,000	6,000	(1,956)
State of Tennessee	52,321	56,000	56,000	(3,679)
Total Revenues	<u>\$ 291,114</u>	<u>\$ 295,300</u>	<u>\$ 292,900</u>	<u>\$ (1,786)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
General Welfare Assistance	\$ 2,575	\$ 2,749	\$ 2,749	\$ 174
Convenience Centers	267,859	281,150	300,850	32,991
Landfill Operation and Maintenance	3,956	5,000	5,000	1,044
<u>Other Operations</u>				
Other Charges	5,154	6,000	6,000	846
<u>Principal on Debt</u>				
General Government	0	150,000	150,000	150,000
<u>Interest on Debt</u>				
General Government	0	4,700	0	0
Total Expenditures	<u>\$ 279,544</u>	<u>\$ 449,599</u>	<u>\$ 464,599</u>	<u>\$ 185,055</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 11,570</u>	<u>\$ (154,299)</u>	<u>\$ (171,699)</u>	<u>\$ 183,269</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 150,000	\$ 150,000	\$ (150,000)
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ (150,000)</u>
Net Change in Fund Balance	\$ 11,570	\$ (4,299)	\$ (21,699)	\$ 33,269
Fund Balance, July 1, 2012	<u>168,038</u>	<u>166,337</u>	<u>166,337</u>	<u>1,701</u>
Fund Balance, June 30, 2013	<u>\$ 179,608</u>	<u>\$ 162,038</u>	<u>\$ 144,638</u>	<u>\$ 34,970</u>

Exhibit F-4

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 140,505	\$ 19,500	\$ 34,500	\$ 106,005
Other Local Revenues	0	12,000	12,000	(12,000)
State of Tennessee	0	0	33,000	(33,000)
Federal Government	24,821	0	0	24,821
Total Revenues	<u>\$ 165,326</u>	<u>\$ 31,500</u>	<u>\$ 79,500</u>	<u>\$ 85,826</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 55,289	\$ 31,500	\$ 90,800	\$ 35,511
Total Expenditures	<u>\$ 55,289</u>	<u>\$ 31,500</u>	<u>\$ 90,800</u>	<u>\$ 35,511</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 110,037</u>	<u>\$ 0</u>	<u>\$ (11,300)</u>	<u>\$ 121,337</u>
Net Change in Fund Balance	\$ 110,037	\$ 0	\$ (11,300)	\$ 121,337
Fund Balance, July 1, 2012	<u>37,214</u>	<u>37,213</u>	<u>37,213</u>	<u>1</u>
Fund Balance, June 30, 2013	<u><u>\$ 147,251</u></u>	<u><u>\$ 37,213</u></u>	<u><u>\$ 25,913</u></u>	<u><u>\$ 121,338</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 352,180	\$ 325,500	\$ 325,500	\$ 26,680
Charges for Current Services	0	400,000	0	0
Other Local Revenues	2,598	0	0	2,598
State of Tennessee	64,199	60,000	60,000	4,199
Federal Government	0	33,333	33,333	(33,333)
Other Governments and Citizens Groups	492,630	31,500	498,272	(5,642)
Total Revenues	\$ 911,607	\$ 850,333	\$ 917,105	\$ (5,498)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 399,282	\$ 164,734	\$ 414,391	\$ 15,109
Education	396,556	639,000	486,000	89,444
<u>Interest on Debt</u>				
General Government	64,706	57,200	92,971	28,265
Education	111,081	490,800	455,996	344,915
<u>Other Debt Service</u>				
General Government	7,774	12,000	12,000	4,226
<u>Capital Projects</u>				
Public Health and Welfare Projects	0	0	114,000	114,000
Total Expenditures	\$ 979,399	\$ 1,363,734	\$ 1,575,358	\$ 595,959
Excess (Deficiency) of Revenues Over Expenditures	\$ (67,792)	\$ (513,401)	\$ (658,253)	\$ 590,461
<u>Other Financing Sources (Uses)</u>				
Bonds Issued	\$ 0	\$ 0	\$ 114,000	\$ (114,000)
Notes Issued	97,550	0	97,550	0
Other Loans Issued	0	76,703	55,225	(55,225)
Transfers In	0	0	74	(74)
Total Other Financing Sources	\$ 97,550	\$ 76,703	\$ 266,849	\$ (169,299)
Net Change in Fund Balance	\$ 29,758	\$ (436,698)	\$ (391,404)	\$ 421,162
Fund Balance, July 1, 2012	1,764,900	1,590,821	1,590,821	174,079
Fund Balance, June 30, 2013	\$ 1,794,658	\$ 1,154,123	\$ 1,199,417	\$ 595,241

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, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 208,667	\$ 208,667
Due from Other Governments	74,140	0	74,140
Total Assets	<u>\$ 74,140</u>	<u>\$ 208,667</u>	<u>\$ 282,807</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 74,140	\$ 0	\$ 74,140
Due to Litigants, Heirs, and Others	0	208,667	208,667
Total Liabilities	<u>\$ 74,140</u>	<u>\$ 208,667</u>	<u>\$ 282,807</u>

Exhibit H-2

Houston County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 430,468	\$ 430,468	\$ 0
Due from Other Governments	67,523	74,140	67,523	74,140
Total Assets	\$ 67,523	\$ 504,608	\$ 497,991	\$ 74,140
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 67,523	\$ 504,608	\$ 497,991	\$ 74,140
Total Liabilities	\$ 67,523	\$ 504,608	\$ 497,991	\$ 74,140
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 106,704	\$ 1,780,287	\$ 1,678,324	\$ 208,667
Total Assets	\$ 106,704	\$ 1,780,287	\$ 1,678,324	\$ 208,667
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 106,704	\$ 1,780,287	\$ 1,678,324	\$ 208,667
Total Liabilities	\$ 106,704	\$ 1,780,287	\$ 1,678,324	\$ 208,667
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 106,704	\$ 1,780,287	\$ 1,678,324	\$ 208,667
Equity in Pooled Cash and Investments	0	430,468	430,468	0
Investments	0	0	0	0
Due from Other Governments	67,523	74,140	67,523	74,140
Total Assets	\$ 174,227	\$ 2,284,895	\$ 2,176,315	\$ 282,807
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 67,523	\$ 504,608	\$ 497,991	\$ 74,140
Due to Litigants, Heirs, and Others	106,704	1,780,287	1,678,324	208,667
Total Liabilities	\$ 174,227	\$ 2,284,895	\$ 2,176,315	\$ 282,807

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 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, 2013

Functions/Programs	Program Revenues			Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	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	\$ 6,722,028	\$ 5,080	\$ 687,548	\$ 0	\$ 0	\$ 0	\$ (6,029,400)	
Support Services	3,842,684	10,477	248,344	0	109,308	0	(3,474,555)	
Operation of Non-Instructional Services	1,240,152	318,507	829,102	0	0	0	(92,543)	
Other Debt Service	466,772	0	0	0	0	0	(466,772)	
Total Governmental Activities	\$ 12,271,636	\$ 334,064	\$ 1,764,994	\$ 0	\$ 109,308	\$ 0	\$ (10,063,270)	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes							\$ 663,839	
Local Option Sales Taxes							542,465	
Other Local Taxes							39,803	
Grants and Contributions Not Restricted to Specific Programs							8,564,526	
Unrestricted Investment Income							32,586	
Miscellaneous							32,446	
Total General Revenues							\$ 9,875,665	
Change in Net Position							\$ (187,605)	
Net Position, July 1, 2012							14,119,933	
Net Position, June 30, 2013							\$ 13,932,328	

Exhibit I-2

Houston County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Houston County School Department
June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 5,056,706	\$ 251,528	\$ 5,308,234
Due from Other Governments	321,343	18,846	340,189
Property Taxes Receivable	667,080	0	667,080
Allowance for Uncollectible Property Taxes	(35,119)	0	(35,119)
Accrued Interest Receivable	17,515	922	18,437
Total Assets	<u>\$ 6,027,525</u>	<u>\$ 271,296</u>	<u>\$ 6,298,821</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 119,037	\$ 18,846	\$ 137,883
Payroll Deductions Payable	30,709	14,625	45,334
Total Liabilities	<u>\$ 149,746</u>	<u>\$ 33,471</u>	<u>\$ 183,217</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 597,128	\$ 0	\$ 597,128
Deferred Delinquent Property Taxes	33,233	0	33,233
Other Deferred/Unavailable Revenue	62,988	797	63,785
Total Deferred Inflows of Resources	<u>\$ 693,349</u>	<u>\$ 797</u>	<u>\$ 694,146</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 6,647	\$ 1,564	\$ 8,211
Restricted for Operation of Non-Instructional Services	0	235,464	235,464
Assigned:			
Assigned for Education	101,284	0	101,284
Unassigned	5,076,499	0	5,076,499
Total Fund Balances	<u>\$ 5,184,430</u>	<u>\$ 237,028</u>	<u>\$ 5,421,458</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,027,525</u>	<u>\$ 271,296</u>	<u>\$ 6,298,821</u>

Exhibit I-3

Houston County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Houston County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	5,421,458
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	333,220	
Add: buildings and improvements net of accumulated depreciation		7,122,587	
Add: other capital assets net of accumulated depreciation		<u>1,259,535</u>	8,715,342
(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			(301,490)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>97,018</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>13,932,328</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, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,264,978	\$ 0	\$ 1,264,978
Licenses and Permits	560	0	560
Charges for Current Services	15,557	318,507	334,064
Other Local Revenues	75,061	2,295	77,356
State of Tennessee	8,736,775	765	8,737,540
Federal Government	157,360	1,532,691	1,690,051
Total Revenues	<u>\$ 10,250,291</u>	<u>\$ 1,854,258</u>	<u>\$ 12,104,549</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,338,876	\$ 971,933	\$ 6,310,809
Support Services	3,724,836	50,927	3,775,763
Operation of Non-Instructional Services	390,495	816,202	1,206,697
Capital Outlay	85,525	0	85,525
Debt Service:			
Other Debt Service	466,772	0	466,772
Total Expenditures	<u>\$ 10,006,504</u>	<u>\$ 1,839,062</u>	<u>\$ 11,845,566</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 243,787</u>	<u>\$ 15,196</u>	<u>\$ 258,983</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 1,253	\$ 13,120	\$ 14,373
Total Other Financing Sources (Uses)	<u>\$ 1,253</u>	<u>\$ 13,120</u>	<u>\$ 14,373</u>
Net Change in Fund Balances	\$ 245,040	\$ 28,316	\$ 273,356
Fund Balance, July 1, 2012	<u>4,939,390</u>	<u>208,712</u>	<u>5,148,102</u>
Fund Balance, June 30, 2013	<u><u>\$ 5,184,430</u></u>	<u><u>\$ 237,028</u></u>	<u><u>\$ 5,421,458</u></u>

Exhibit I-5

Houston County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Houston County School Department
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 273,356
(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	\$ 112,425	
Less: current-year depreciation expense	<u>(478,238)</u>	(365,813)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 97,018	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(117,536)</u>	(20,518)
(3) 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>(74,630)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (187,605)</u>

Exhibit I-6

Houston County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Houston County School Department
June 30, 2013

	Special Revenue Funds		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 16,189	\$ 235,339	\$ 251,528
Due from Other Governments	18,846	0	18,846
Accrued Interest Receivable	0	922	922
Total Assets	<u>\$ 35,035</u>	<u>\$ 236,261</u>	<u>\$ 271,296</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 18,846	\$ 0	\$ 18,846
Payroll Deductions Payable	14,625	0	14,625
Total Liabilities	<u>\$ 33,471</u>	<u>\$ 0</u>	<u>\$ 33,471</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 0	\$ 797	\$ 797
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 797</u>	<u>\$ 797</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 1,564	\$ 0	\$ 1,564
Restricted for Operation of Non-Instructional Services	0	235,464	235,464
Total Fund Balances	<u>\$ 1,564</u>	<u>\$ 235,464</u>	<u>\$ 237,028</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 35,035</u>	<u>\$ 236,261</u>	<u>\$ 271,296</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, 2013

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 318,507	\$ 318,507
Other Local Revenues	0	2,295	2,295
State of Tennessee	0	765	765
Federal Government	1,024,424	508,267	1,532,691
Total Revenues	<u>\$ 1,024,424</u>	<u>\$ 829,834</u>	<u>\$ 1,854,258</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 971,933	\$ 0	\$ 971,933
Support Services	50,927	0	50,927
Operation of Non-Instructional Services	0	816,202	816,202
Total Expenditures	<u>\$ 1,022,860</u>	<u>\$ 816,202</u>	<u>\$ 1,839,062</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,564</u>	<u>\$ 13,632</u>	<u>\$ 15,196</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 0	\$ 13,120	\$ 13,120
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 13,120</u>	<u>\$ 13,120</u>
Net Change in Fund Balances	\$ 1,564	\$ 26,752	\$ 28,316
Fund Balance, July 1, 2012	<u>0</u>	<u>208,712</u>	<u>208,712</u>
Fund Balance, June 30, 2013	<u><u>\$ 1,564</u></u>	<u><u>\$ 235,464</u></u>	<u><u>\$ 237,028</u></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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,264,978	\$ 0	\$ 0	\$ 1,264,978	\$ 1,180,000	\$ 1,180,000	\$ 84,978
Licenses and Permits	560	0	0	560	500	500	60
Charges for Current Services	15,557	0	0	15,557	14,600	14,600	957
Other Local Revenues	75,061	0	0	75,061	80,200	80,200	(5,139)
State of Tennessee	8,736,775	0	0	8,736,775	8,613,728	8,638,388	98,387
Federal Government	157,360	0	0	157,360	100	100	157,260
Total Revenues	\$ 10,250,291	\$ 0	\$ 0	\$ 10,250,291	\$ 9,889,128	\$ 9,913,788	\$ 336,503
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,573,021	\$ 0	\$ 0	\$ 4,573,021	\$ 4,920,500	\$ 4,920,500	\$ 347,479
Special Education Program	518,860	0	0	518,860	626,000	626,000	107,140
Vocational Education Program	246,995	0	0	246,995	248,500	248,500	1,505
<u>Support Services</u>							
Attendance	33,065	0	0	33,065	35,500	35,500	2,435
Health Services	24,651	0	0	24,651	26,500	26,500	1,849
Other Student Support	276,853	0	0	276,853	299,500	299,500	22,647
Regular Instruction Program	576,947	0	0	576,947	595,500	595,500	18,553
Alternative Instruction Program	62,602	0	0	62,602	66,100	66,100	3,498
Special Education Program	112,611	0	0	112,611	131,500	131,500	18,889
Vocational Education Program	0	0	0	0	4,000	4,000	4,000
Other Programs	24,660	0	0	24,660	0	24,660	0
Board of Education	308,581	0	0	308,581	325,000	325,000	16,419
Director of Schools	183,622	0	0	183,622	197,000	197,000	13,378
Office of the Principal	531,037	0	0	531,037	589,000	589,000	57,963
Fiscal Services	94,881	0	0	94,881	104,750	104,750	9,869
Operation of Plant	769,283	0	0	769,283	844,800	844,800	75,517
Maintenance of Plant	180,308	0	0	180,308	199,500	199,500	19,192

(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 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation Central and Other	\$ 545,735 \$ 0	(79,715) \$ 0	101,284 \$ 0	567,304 \$ 0	631,400 \$ 5,000	631,400 \$ 5,000	64,096 5,000
<u>Operation of Non-Instructional Services</u>							
Food Service	32,169	0	0	32,169	33,350	33,350	1,181
Community Services	28,858	0	0	28,858	29,611	29,611	753
Early Childhood Education	329,468	(18,000)	0	311,468	314,128	314,128	2,660
<u>Capital Outlay</u>							
Regular Capital Outlay	85,525	(32,040)	0	53,485	160,000	160,000	106,515
<u>Principal on Debt</u>							
Education	0	0	0	0	470,000	0	0
Education	0	0	0	0	16,000	0	0
<u>Other Debt Service</u>							
Education	466,772	0	0	466,772	0	486,000	19,228
Total Expenditures	\$ 10,006,504 \$	(129,755) \$	101,284 \$	9,978,033 \$	10,873,139 \$	10,897,799 \$	919,766
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 243,787 \$	129,755 \$	(101,284) \$	272,258 \$	(984,011) \$	(984,011) \$	1,256,269
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 1,253 \$	0 \$	0 \$	1,253 \$	5,000 \$	5,000 \$	(3,747)
Total Other Financing Sources	\$ 1,253 \$	0 \$	0 \$	1,253 \$	5,000 \$	5,000 \$	(3,747)
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ 245,040 \$ 4,939,390	129,755 \$ (129,755)	(101,284) \$ 0	273,511 \$ 4,809,635	(979,011) \$ 997,487	(979,011) \$ 997,487	1,252,522 3,812,148
Fund Balance, June 30, 2013	\$ 5,184,430 \$	0 \$	(101,284) \$	5,083,146 \$	18,476 \$	18,476 \$	5,064,670

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,024,424	\$ 1,231,448	\$ 1,358,010	\$ (333,586)
Total Revenues	\$ 1,024,424	\$ 1,231,448	\$ 1,358,010	\$ (333,586)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 651,732	\$ 684,574	\$ 798,763	\$ 147,031
Special Education Program	306,272	210,800	376,503	70,231
Vocational Education Program	13,929	12,664	14,664	735
<u>Support Services</u>				
Other Student Support	7,151	32,306	7,335	184
Regular Instruction Program	38,210	210,230	148,744	110,534
Special Education Program	4,433	80,874	10,843	6,410
Vocational Education Program	1,133	0	1,158	25
Total Expenditures	\$ 1,022,860	\$ 1,231,448	\$ 1,358,010	\$ 335,150
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,564	\$ 0	\$ 0	\$ 1,564
Net Change in Fund Balance	\$ 1,564	\$ 0	\$ 0	\$ 1,564
Fund Balance, July 1, 2012	0	0	0	0
Fund Balance, June 30, 2013	\$ 1,564	\$ 0	\$ 0	\$ 1,564

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 318,507	\$ 390,500	\$ 390,500	\$ (71,993)
Other Local Revenues	2,295	11,000	11,000	(8,705)
State of Tennessee	765	1,500	1,500	(735)
Federal Government	508,267	462,000	462,000	46,267
Total Revenues	<u>\$ 829,834</u>	<u>\$ 865,000</u>	<u>\$ 865,000</u>	<u>\$ (35,166)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 816,202	\$ 865,000	\$ 865,000	\$ 48,798
Total Expenditures	<u>\$ 816,202</u>	<u>\$ 865,000</u>	<u>\$ 865,000</u>	<u>\$ 48,798</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,632</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,632</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 13,120	\$ 0	\$ 0	\$ 13,120
Total Other Financing Sources	<u>\$ 13,120</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,120</u>
Net Change in Fund Balance	\$ 26,752	\$ 0	\$ 0	\$ 26,752
Fund Balance, July 1, 2012	208,712	0	0	208,712
Fund Balance, June 30, 2013	<u><u>\$ 235,464</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 235,464</u></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, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-13
NOTES PAYABLE								
Payable through Highway/Public Works Fund								
Highway Department Trucks and Supplies	\$ 77,877	3.296 %	12-3-10	12-3-13	\$ 52,765	\$ 0	\$ 25,940	\$ 26,825
Total Payable through Highway/Public Works Fund					\$ 52,765	\$ 0	\$ 25,940	\$ 26,825
Payable through General Debt Service Fund								
E-911 Communications Tower and Equipment	221,000	3.99	8-17-05	11-30-14	\$ 110,500	\$ 0	\$ 18,417	\$ 92,083
Fire Station Buildings and Equipment	110,000	3.69	4-11-07	6-21-13	64,167	0	64,167	0
Convenience Center Front End Loader (Extension)	82,716	3.69	6-27-07	6-21-13	36,763	0	36,763	0
Health Department Addition (Extension)	45,000	3.69	6-27-07	6-21-13	20,000	0	20,000	0
Library Equipment	10,000	3.99	12-9-08	10-9-12	2,500	0	2,500	0
Ambulance and Equipment	107,027	3.99	12-11-08	2-1-16	61,157	0	14,639	46,518
Library Renovation	75,000	3.29	4-8-09	4-6-19	52,500	0	6,606	45,894
Airport Maintenance	70,000	3.39	7-9-09	7-10-19	56,000	0	7,000	49,000
Fire Department Equipment and Supplies	100,000	3.39	7-28-09	7-28-15	66,666	0	16,666	50,000
Ambulance	92,879	3.89	12-17-10	12-17-13	75,223	0	17,656	57,567
School Repair	500,000	3.31	12-20-10	12-1-13	371,263	0	55,556	315,707
Fire Engine and Equipment	150,000	3.49	6-14-11	6-14-14	133,334	0	16,667	116,667
Emergency Response Facility	200,000	2.99	7-10-12	7-10-15	0	200,000	0	200,000
Sheriff Vehicles	105,000	3.25	10-31-12	10-31-17	0	105,000	0	105,000
Highway Equipment	255,000	3.35	2-27-13	3-1-23	0	255,000	0	255,000
Fire Station Buildings and Equipment (Extension)	54,978	3	6-21-13	6-21-19	0	54,978	0	54,978
Health Department Addition (Extension)	15,000	2.45	6-21-13	6-21-16	0	15,000	0	15,000
Convenience Center Front End Loader (Extension)	27,572	2.45	6-24-13	6-24-16	0	27,572	0	27,572
Total Payable through General Debt Service Fund					\$ 1,050,073	\$ 657,550	\$ 276,637	\$ 1,430,986
Total Notes Payable					\$ 1,102,838	\$ 657,550	\$ 302,577	\$ 1,457,811
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund								
Jail Construction and Courthouse Renovations	1,800,000	variable	10-21-1999	5-25-24	\$ 1,183,000	\$ 0	\$ 74,000	\$ 1,109,000
School Construction	10,000,000	variable	1-31-00	5-25-27	7,364,000	0	341,000	7,023,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	717,000	0	37,000	680,000
Jail Construction and Courthouse Renovations	646,200 (1)	variable	4-26-02	5-25-27	349,200	0	42,000	307,200
Hospital Purchase	(2)	3.125	3-27-13	3-27-15	0	5,013,150	0	5,013,150
Total Other Loans Payable					\$ 9,613,200	\$ 5,013,150	\$ 494,000	\$ 14,132,350

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-13
BONDS PAYABLE								
Payable through General Debt Service Fund								
Industrial Park Development (FmHA)	\$ 478,000	4 to 5 %	10-13-1977	10-1-16	\$ 88,000	\$ 0	16,000	\$ 72,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	61,996	0	9,201	52,795
Total Bonds Payable					\$ 149,996	\$ 0	25,201	\$ 124,795

(1) Total amount approved was \$1,200,000, of which \$553,800 remains available for draws as of June 30, 2013.

(2) Total amount approved was \$7,500,000, of which \$2,486,850 remains available for draws as of June 30, 2013.

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 663,842	\$ 43,193	\$ 707,035
2015	204,027	26,030	230,057
2016	281,105	19,030	300,135
2017	68,948	10,451	79,399
2018	70,275	8,119	78,394
2019	50,614	5,740	56,354
2020	34,000	3,996	37,996
2021	27,000	2,848	29,848
2022	29,000	1,943	30,943
2023	29,000	971	29,971
Total	<u>\$ 1,457,811</u>	<u>\$ 122,321</u>	<u>\$ 1,580,132</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 518,000	\$ 171,252	\$ 124,057	\$ 813,309
2015	5,557,150	170,423	117,064	5,844,637
2016	571,000	12,892	109,720	693,612
2017	600,000	11,978	102,012	713,990
2018	631,000	11,018	93,912	735,930
2019	662,000	10,008	85,393	757,401
2020	645,200	8,949	76,456	730,605
2021	668,000	7,917	67,640	743,557
2022	701,000	6,848	58,622	766,470
2023	737,000	5,726	49,159	791,885
2024	774,000	4,547	39,209	817,756
2025	679,000	3,309	28,602	710,911
2026	713,000	2,222	19,435	734,657
2027	676,000	1,082	9,679	686,761
Total	<u>\$ 14,132,350</u>	<u>\$ 428,171</u>	<u>\$ 980,960</u>	<u>\$ 15,541,481</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 25,626	\$ 5,642	\$ 31,268
2015	26,072	4,396	30,468
2016	30,537	3,031	33,568
2017	31,025	1,543	32,568
2018	11,535	533	12,068
Total	<u>\$ 124,795</u>	<u>\$ 15,145</u>	<u>\$ 139,940</u>

Exhibit J-3

Houston County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Special Purpose	Hospital	Operations	<u>\$ 1,293,375</u>
Total Transfers			<u><u>\$ 1,293,375</u></u>

Exhibit J-4

Houston County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Houston County School Department
For the Year Ended June 30, 2013

Official	Authorization for Salary	\$	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$	67,646	25,000	Auto Owners Insurance Company
Road Superintendent	Section 8-24-102, TCA		63,553	100,000	"
Director of Schools	State Board of Education and County Board of Education		90,363 (1)	100,000	Western Surety Company
Trustee	Section 8-24-102, TCA		58,568	448,500	Auto Owners Insurance Company
Assessor of Property:					
Tyanne Morrison (7-1-12 through 8-31-12)	Section 8-24-102, TCA		9,847	25,000	"
Joy Hooper (9-1-12 through 6-30-13)	Section 8-24-102, TCA		48,569	50,000	"
County Clerk	Section 8-24-102, TCA		58,568	25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA		58,568	50,000	"
Clerk and Master	Section 8-24-102, TCA		58,568 (2)	50,000	"
Register of Deeds	Section 8-24-102, TCA		58,568	25,000	"
Sheriff	Section 8-24-102, TCA		64,428 (3)	25,000	"
Employee Blanket Bonds:					
County Mayor and Road Superintendent:				150,000	Local Government Property and Casualty Fund
All Employees					
Director of Schools:					
All Employees				150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$13,408.
- (3) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Houston County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds						
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,163,913	\$ 210,549	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,695
Discount on Property Taxes	(18,293)	(1,781)	0	0	0	0	(98)
Trustee's Collections - Prior Year	111,154	12,809	0	0	0	0	717
Trustee's Collections - Bankruptcy	354	40	0	0	0	0	2
Circuit/Clerk & Master Collections - Prior Years	51,186	5,070	0	0	0	0	282
Interest and Penalty	19,823	2,218	0	0	0	0	123
Payments in-Lieu-of Taxes - T.V.A.	0	73	0	0	0	0	4
Payments in-Lieu-of Taxes - Local Utilities	27,926	2,782	0	0	0	0	151
<u>County Local Option Taxes</u>							
Local Option Sales Tax	109,135	0	0	0	0	0	0
Hotel/Motel Tax	13,018	0	0	0	0	0	0
Wheel Tax	0	0	0	0	0	0	0
Litigation Tax - General	15,133	0	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0
Business Tax	0	2,989	0	0	0	0	166
<u>Statutory Local Taxes</u>							
Bank Excise Tax	17,874	0	0	0	0	0	0
Wholesale Beer Tax	32,910	0	0	0	0	0	0
Interstate Telecommunications Tax	489	0	0	0	0	0	0
Total Local Taxes	\$ 2,544,622	\$ 234,749	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,042
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 2,935	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 2,935	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 5,696	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	1,506	0	0	0	0	0	0
Drug Control Fines	0	0	0	1,368	0	0	0
Jail Fees	487	0	0	0	0	0	0
Data Entry Fee - Circuit Court	188	0	0	0	0	0	0
<u>General Sessions Court</u>							
Fines	7,484	0	0	0	0	0	0
Officers Costs	11,093	0	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>General Sessions Court (Cont.)</u>						
Game and Fish Fines	\$ 910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Drug Control Fines	0	0	0	5,906	0	0
Jail Fees	1,690	0	0	0	0	0
DUI Treatment Fines	1,389	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,706	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	233	0	0	0	0	0
Officers Costs	462	0	0	0	0	0
Data Entry Fee - Juvenile Court	88	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	1,738	0	0	0	0	0
Data Entry Fee - Chancery Court	2,490	0	0	0	0	0
Courtroom Security Fee	594	0	0	0	0	0
Other Fines, Forfeitures, and Penalties						
Proceeds from Confiscated Property	0	0	0	1,33,231	0	0
Total Fines, Forfeitures, and Penalties	\$ 37,754	\$ 0	\$ 0	\$ 140,505	\$ 0	\$ 0
<u>Charges for Current Services</u>						
General Service Charges	\$ 477,145	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	34,292	0	0	0	0	0
Other General Service Charges						
Fees						
Airport Fees	3,150	0	0	0	0	0
Copy Fees	2	0	0	0	0	0
Archives and Records Management Fee - County Clerk	5,000	0	0	0	0	0
Telephone Commissions	6,750	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	74,179	0
Data Processing Fee - Register	2,688	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,450	0	0	0	0	0
Data Processing Fee - County Clerk	438	0	0	0	0	0
Total Charges for Current Services	\$ 530,915	\$ 0	\$ 0	\$ 0	\$ 74,179	\$ 0
<u>Other Local Revenues</u>						
Recurring Items						
Lease/Rentals	\$ 42,825	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Materials and Supplies	2,144	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Commissary Sales	\$ 20,665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Gasoline	0	0	0	0	0	25,296
Sale of Recycled Materials	0	4,044	0	0	0	0
Miscellaneous Refunds	52,922	0	0	0	0	3,675
<u>Nonrecurring Items</u>						
Sale of Equipment	7,866	0	0	0	0	19,404
Contributions and Gifts	500	0	30,000	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	11,583	0	0	0	0	0
<u>Total Other Local Revenues</u>	<u>\$ 138,505</u>	<u>\$ 4,044</u>	<u>\$ 30,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,375</u>
<u>Fees Received from County Officials</u>						
Excess Fees	\$ 17,119	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
County Clerk						
<u>Fees in-Lieu-of Salary</u>						
Circuit Court Clerk	12,516	0	0	0	0	0
General Sessions Court Clerk	39,645	0	0	0	0	0
Clerk and Master	40,880	0	0	0	0	0
Juvenile Court Clerk	3,063	0	0	0	0	0
Register	29,973	0	0	0	0	0
Sheriff	4,145	0	0	0	0	0
Trustee	118,850	0	0	0	0	0
<u>Total Fees Received from County Officials</u>	<u>\$ 266,191</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Airport Maintenance Program	65,049	0	0	0	0	0
Other General Government Grants	17,097	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	6,000	0	0	0	0	0
Safe and Drug - Free Schools and Communities	14,500	0	0	0	0	0
<u>Public Works Grants</u>						
Litter Program	34,756	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	0	613	0	0	0	102

(Continued)

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>						
Other State Revenues (Cont.)						
Resort District Sales Tax	\$ 80,697	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Beer Tax	18,586	0	0	0	0	0
Alcoholic Beverage Tax	0	19,312	0	0	0	0
State Revenue Sharing - T.V.A.	0	32,396	0	0	0	4,733
Contracted Prisoner Boarding	52,526	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,249,683
Petroleum Special Tax	0	0	0	0	0	6,080
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	1,000	0	0	0	0	0
Other State Revenues	11,131	0	0	0	0	0
Total State of Tennessee	\$ 326,206	\$ 52,321	\$ 0	\$ 0	\$ 0	\$ 1,260,598
<u>Federal Government</u>						
Federal Through State						
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 76,472
Community Development	0	0	0	0	0	0
Disaster Relief	0	0	0	0	0	30,162
Homeland Security Grants	1,322	0	0	0	0	0
Law Enforcement Grants	15,212	0	0	24,821	0	0
Other Federal through State	137,291	0	0	0	0	0
Total Federal Government	\$ 153,825	\$ 0	\$ 0	\$ 24,821	\$ 0	\$ 106,634
<u>Other Governments and Citizens Groups</u>						
Other Governments						
Contributions	\$ 140,281	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	9,448	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 149,729	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 4,150,682	\$ 291,114	\$ 30,000	\$ 165,326	\$ 74,179	\$ 1,428,649

(Continued)

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

	Debt Service		Capital Projects Funds			Total
	Fund		General	Capital	Other	
	General	Debt	Projects	Projects	Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 23,328	\$ 0	\$ 0	\$ 0	\$ 0	2,409,485
Discount on Property Taxes	(202)	0	0	0	0	(20,374)
Trustee's Collections - Prior Year	1,536	0	0	0	0	126,216
Trustee's Collections - Bankruptcy	5	0	0	0	0	401
Circuit/Clerk & Master Collections - Prior Years	563	0	0	0	0	57,101
Interest and Penalty	250	0	0	0	0	22,414
Payments in-Lieu-of Taxes - T.V.A.	8	0	0	0	0	85
Payments in-Lieu-of Taxes - Local Utilities	310	0	0	0	0	31,169
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	109,135
Hotel/Motel Tax	0	0	0	0	0	13,018
Wheel Tax	320,386	0	0	0	0	320,386
Litigation Tax - General	0	0	0	0	0	15,133
Litigation Tax - Jail, Workhouse, or Courthouse	5,664	0	0	0	0	5,664
Business Tax	332	0	0	0	0	3,487
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	0	17,874
Wholesale Beer Tax	0	0	0	0	0	32,910
Interstate Telecommunications Tax	0	0	0	0	0	489
Total Local Taxes	\$ 352,180	\$ 0	\$ 0	\$ 0	\$ 0	3,144,593
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	0	0	0	0	0	2,935
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,935
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	0	0	0	0	0	5,696
Officers Costs	0	0	0	0	0	1,506
Drug Control Fines	0	0	0	0	0	1,368
Jail Fees	0	0	0	0	0	487
Data Entry Fee - Circuit Court	0	0	0	0	0	188
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	7,484
Officers Costs	0	0	0	0	0	11,093

(Continued)

Exhibit J-5

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

	Debt Service Fund		Capital Projects Funds		Total
	General Debt Service	Other Capital Projects	General Capital Projects	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>General Sessions Court (Cont.)</u>					
Game and Fish Fines	\$ 0	\$ 0	\$ 0	\$ 0	910
Drug Control Fines	0	0	0	0	5,906
Jail Fees	0	0	0	0	1,690
DUI Treatment Fines	0	0	0	0	1,389
Data Entry Fee - General Sessions Court	0	0	0	0	1,706
Juvenile Court					
Fines	0	0	0	0	233
Officers Costs	0	0	0	0	462
Data Entry Fee - Juvenile Court	0	0	0	0	88
Chancery Court					
Officers Costs	0	0	0	0	1,738
Data Entry Fee - Chancery Court	0	0	0	0	2,490
Courtroom Security Fee	0	0	0	0	594
Other Fines, Forfeitures, and Penalties					
Proceeds from Confiscated Property	0	0	0	0	133,231
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 178,259
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patent Charges	\$ 0	\$ 0	\$ 0	\$ 0	477,145
Other General Service Charges	0	0	0	0	34,292
Fees					
Airport Fees	0	0	0	0	3,150
Copy Fees	0	0	0	0	2
Archives and Records Management Fee - County Clerk	0	0	0	0	5,000
Telephone Commissions	0	0	0	0	6,750
Constitutional Officers' Fees and Commissions	0	0	0	0	74,179
Data Processing Fee - Register	0	0	0	0	2,688
Sexual Offender Registration Fees - Sheriff	0	0	0	0	1,450
Data Processing Fee - County Clerk	0	0	0	0	438
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 605,094
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Lease/Rentals	\$ 0	\$ 0	\$ 0	\$ 0	42,825
Sale of Materials and Supplies	0	0	0	0	2,144

(Continued)

Exhibit J-5

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

	Debt Service		Capital Projects Funds			Total
	General	Debt Service	General	Capital Projects	Other Capital Projects	
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Commissary Sales	\$	0 \$	0 \$	0 \$	0 \$	20,665
Sale of Gasoline		0	0	0	0	25,296
Sale of Recycled Materials		0	0	0	0	4,044
Miscellaneous Refunds		2,598	0	0	0	59,195
Nonrecurring Items						
Sale of Equipment		0	0	0	0	27,270
Contributions and Gifts		0	0	0	0	30,500
<u>Other Local Revenues</u>						
Other Local Revenues		0	0	0	0	11,583
Total Other Local Revenues	\$	2,598 \$	0 \$	0 \$	0 \$	223,522
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$	0 \$	0 \$	0 \$	0 \$	17,119
Fees in-Lieu-of Salary						
Circuit Court Clerk		0	0	0	0	12,516
General Sessions Court Clerk		0	0	0	0	39,645
Clerk and Master		0	0	0	0	40,880
Juvenile Court Clerk		0	0	0	0	3,063
Register		0	0	0	0	29,973
Sheriff		0	0	0	0	4,145
Trustee		0	0	0	0	118,850
Total Fees Received from County Officials	\$	0 \$	0 \$	0 \$	0 \$	266,191
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$	0 \$	0 \$	0 \$	0 \$	9,700
Airport Maintenance Program		0	0	0	0	65,049
Other General Government Grants		0	0	0	0	17,097
Public Safety Grants						
Law Enforcement Training Programs		0	0	0	0	6,000
Safe and Drug - Free Schools and Communities		0	0	0	0	14,500
Public Works Grants						
Litter Program		0	0	0	0	34,756
<u>Other State Revenues</u>						
Income Tax		0	0	0	0	715

(Continued)

Exhibit J-5

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

	Debt Service		Capital Projects Funds		Total
	Fund	General	General	Other	
	Debt	Service	Capital	Capital	
			Projects	Projects	
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Resort District Sales Tax					80,697
Beer Tax	0	0	0	0	18,586
Alcoholic Beverage Tax	0	0	0	0	19,312
State Revenue Sharing - T. V.A.	0	0	0	0	37,129
Contracted Prisoner Boarding	64,199	0	0	0	116,725
Gasoline and Motor Fuel Tax	0	0	0	0	1,249,683
Petroleum Special Tax	0	0	0	0	6,080
Registrar's Salary Supplement	0	0	0	0	15,164
Other State Grants	0	0	0	0	1,000
Other State Revenues	0	0	0	0	11,131
Total State of Tennessee	\$ 64,199	\$ 0	\$ 0	\$ 0	\$ 1,703,324
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA - Other	0	0	0	0	76,472
Community Development	0	18,885	513,571	0	532,456
Disaster Relief	0	0	0	0	30,162
Homeland Security Grants	0	0	0	0	1,322
Law Enforcement Grants	0	0	0	0	40,033
Other Federal through State	0	0	0	0	137,291
Total Federal Government	\$ 0	\$ 18,885	\$ 513,571	\$ 0	\$ 817,736
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	485,130	0	0	0	625,411
Contracted Services	7,500	0	0	0	16,948
Total Other Governments and Citizens Groups	\$ 492,630	\$ 0	\$ 0	\$ 0	\$ 642,359
Total	\$ 911,607	\$ 18,885	\$ 513,571	\$ 7,584,013	

Exhibit J-6

Houston County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Houston County School Department
For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 620,022	\$ 0	\$ 0	\$ 620,022
Discount on Property Taxes	(5,239)	0	0	(5,239)
Trustee's Collections - Prior Year	37,988	0	0	37,988
Trustee's Collections - Bankruptcy	121	0	0	121
Circuit/Clerk & Master Collections - Prior Years	14,929	0	0	14,929
Interest and Penalty	6,535	0	0	6,535
Payments in-Lieu-of Taxes - T.V.A.	961	0	0	961
Payments in-Lieu-of Taxes - Local Utilities	8,001	0	0	8,001
<u>County Local Option Taxes</u>				
Local Option Sales Tax	541,891	0	0	541,891
Business Tax	39,050	0	0	39,050
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	719	0	0	719
Total Local Taxes	\$ 1,264,978	\$ 0	\$ 0	\$ 1,264,978
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 560	\$ 0	\$ 0	\$ 560
Total Licenses and Permits	\$ 560	\$ 0	\$ 0	\$ 560
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 5,080	\$ 0	\$ 0	\$ 5,080
Lunch Payments - Children	0	0	116,327	116,327
Lunch Payments - Adults	0	0	22,614	22,614
Income from Breakfast	0	0	19,936	19,936
A la carte Sales	0	0	159,630	159,630
Receipts from Individual Schools	10,477	0	0	10,477
Total Charges for Current Services	\$ 15,557	\$ 0	\$ 318,507	\$ 334,064
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 42,665	\$ 0	\$ 2,245	\$ 44,910
Miscellaneous Refunds	32,340	0	50	32,390
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	56	0	0	56
Total Other Local Revenues	\$ 75,061	\$ 0	\$ 2,295	\$ 77,356
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 24,660	\$ 0	\$ 0	\$ 24,660
<u>State Education Funds</u>				
Basic Education Program	7,799,769	0	0	7,799,769
Early Childhood Education	311,467	0	0	311,467
School Food Service	6,888	0	765	7,653
Other State Education Funds	131,579	0	0	131,579
Career Ladder Program	58,340	0	0	58,340
Career Ladder - Extended Contract	19,300	0	0	19,300
<u>Other State Revenues</u>				
Income Tax	8,110	0	0	8,110
State Revenue Sharing - T.V.A.	375,462	0	0	375,462
Other State Grants	1,200	0	0	1,200
Total State of Tennessee	\$ 8,736,775	\$ 0	\$ 765	\$ 8,737,540

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 339,522	\$ 339,522
USDA - Commodities Breakfast	0	0	37,053	37,053
Vocational Education - Basic Grants to States	0	22,214	0	22,214
Title I Grants to Local Education Agencies	0	371,663	0	371,663
Special Education - Grants to States	48,052	305,677	0	353,729
Special Education Preschool Grants	0	6,418	0	6,418
Rural Education	0	45,808	0	45,808
Eisenhower Professional Development State Grants	0	56,235	0	56,235
Disaster Relief	109,308	0	0	109,308
Race-to-the-Top - ARRA	0	181,555	0	181,555
Other Federal through State	0	34,854	0	34,854
Total Federal Government	\$ 157,360	\$ 1,024,424	\$ 508,267	\$ 1,690,051
Total	\$ 10,250,291	\$ 1,024,424	\$ 829,834	\$ 12,104,549

Exhibit J-7

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	33,200	
Social Security		2,084	
Unemployment Compensation		7	
Employer Medicare		489	
Audit Services		2,528	
Dues and Memberships		2,164	
Legal Services		600	
Legal Notices, Recording, and Court Costs		4,024	
Travel		171	
Other Contracted Services		773	
Total County Commission			\$ 46,040

Board of Equalization

Board and Committee Members Fees	\$	1,000	
Social Security		62	
Employer Medicare		14	
Total Board of Equalization			1,076

Budget and Finance Committee

Other Salaries and Wages	\$	1,054	
Board and Committee Members Fees		4,000	
Social Security		313	
Employer Medicare		73	
Total Budget and Finance Committee			5,440

Other Boards and Committees

Part-time Personnel	\$	8,737	
Social Security		542	
Unemployment Compensation		107	
Employer Medicare		127	
Travel		135	
Instructional Supplies and Materials		3,000	
Other Supplies and Materials		4,915	
Total Other Boards and Committees			17,563

County Mayor/Executive

County Official/Administrative Officer	\$	67,646	
Accountants/Bookkeepers		23,642	
Clerical Personnel		20,656	
In-Service Training		117	
Social Security		6,941	
Unemployment Compensation		234	
Employer Medicare		1,623	
Data Processing Services		8,499	
Dues and Memberships		1,215	
Legal Notices, Recording, and Court Costs		184	
Travel		2,328	
Office Supplies		2,833	
Other Charges		102	
Data Processing Equipment		987	
Total County Mayor/Executive			137,007

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

County Official/Administrative Officer	\$	18,665	
Dues and Memberships		<u>275</u>	
Total County Attorney			\$ 18,940

Election Commission

County Official/Administrative Officer	\$	52,712	
Clerical Personnel		16,392	
Election Commission		3,300	
Election Workers		29,981	
Social Security		5,408	
Unemployment Compensation		520	
Employer Medicare		1,265	
Data Processing Services		2,900	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		2,971	
Maintenance and Repair Services - Office Equipment		140	
Rentals		600	
Travel		1,264	
Data Processing Supplies		5,634	
Other Supplies and Materials		2,529	
Data Processing Equipment		1,765	
Voting Machines		<u>1,000</u>	
Total Election Commission			128,556

Register of Deeds

County Official/Administrative Officer	\$	58,568	
Deputy(ies)		18,516	
Social Security		4,779	
Unemployment Compensation		351	
Employer Medicare		1,118	
Data Processing Services		1,500	
Dues and Memberships		432	
Printing, Stationery, and Forms		111	
Office Supplies		2,630	
Data Processing Equipment		<u>2,962</u>	
Total Register of Deeds			90,967

Planning

Data Processing Personnel	\$	3,000	
Social Security		186	
Unemployment Compensation		22	
Employer Medicare		<u>43</u>	
Total Planning			3,251

Building

Building Construction	\$	<u>162</u>	
Total Building			162

County Buildings

Custodial Personnel	\$	19,225	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Social Security	\$	1,192	
Unemployment Compensation		224	
Employer Medicare		279	
Maintenance Agreements		2,672	
Maintenance and Repair Services - Buildings		6,442	
Other Contracted Services		552	
Custodial Supplies		4,495	
Electricity		16,549	
Natural Gas		2,335	
Water and Sewer		3,489	
Building and Contents Insurance		8,000	
Other Construction		2,337	
Total County Buildings			\$ 67,791

Other General Administration

Postal Charges	\$	1,427	
Rentals		4,244	
Data Processing Supplies		1,362	
Total Other General Administration			7,033

Finance

Central Services

Other Salaries and Wages	\$	11,840	
Social Security		734	
Unemployment Compensation		120	
Employer Medicare		172	
Total Central Services			12,866

Property Assessor's Office

County Official/Administrative Officer	\$	58,416	
Secretary(ies)		14,785	
Social Security		4,538	
Unemployment Compensation		449	
Employer Medicare		1,061	
Contracts with Private Agencies		1,105	
Data Processing Services		2,149	
Dues and Memberships		950	
Legal Notices, Recording, and Court Costs		150	
Maintenance and Repair Services - Vehicles		181	
Travel		812	
Other Contracted Services		315	
Gasoline		261	
Office Supplies		2,449	
Premiums on Corporate Surety Bonds		303	
Total Property Assessor's Office			87,924

Reappraisal Program

Laborers	\$	3,038	
Clerical Personnel		1,146	
Social Security		259	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Unemployment Compensation	\$	92	
Employer Medicare		61	
Data Processing Services		1,067	
Travel		250	
Total Reappraisal Program			\$ 5,913

County Trustee's Office

County Official/Administrative Officer	\$	58,568	
Clerical Personnel		20,124	
Other Salaries and Wages		3,168	
Social Security		5,075	
Unemployment Compensation		268	
Employer Medicare		1,187	
Data Processing Services		7,141	
Dues and Memberships		537	
Legal Notices, Recording, and Court Costs		267	
Travel		408	
Other Contracted Services		3,170	
Office Supplies		1,632	
Data Processing Equipment		2,565	
Office Equipment		75	
Total County Trustee's Office			104,185

County Clerk's Office

Deputy(ies)	\$	18,711	
Secretary(ies)		33,495	
Clerical Personnel		4,828	
Other Salaries and Wages		6,132	
Social Security		7,914	
Unemployment Compensation		630	
Employer Medicare		1,925	
Legal Notices, Recording, and Court Costs		207	
Maintenance and Repair Services - Equipment		45	
Travel		30	
Office Supplies		4,447	
Office Equipment		510	
Total County Clerk's Office			78,874

Data Processing

Computer Programmer(s)	\$	1,069	
Social Security		60	
Unemployment Compensation		5	
Employer Medicare		14	
Data Processing Supplies		2	
Data Processing Equipment		436	
Total Data Processing			1,586

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,568	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Deputy(ies)	\$	18,504	
Clerical Personnel		16,556	
Other Salaries and Wages		2,168	
Jury and Witness Expense		5,599	
Social Security		5,939	
Unemployment Compensation		437	
Employer Medicare		1,389	
Dues and Memberships		417	
Legal Notices, Recording, and Court Costs		581	
Maintenance and Repair Services - Office Equipment		311	
Travel		163	
Office Supplies		4,337	
Data Processing Equipment		6,870	
Total Circuit Court			\$ 121,839

General Sessions Judge

Judge(s)	\$	48,319	
Salary Supplements		4,220	
Social Security		3,257	
Employer Medicare		762	
Dues and Memberships		110	
Medical and Dental Services		400	
Travel		973	
Office Supplies		689	
Total General Sessions Judge			58,730

Chancery Court

County Official/Administrative Officer	\$	58,568	
Deputy(ies)		18,198	
Temporary Personnel		1,198	
Social Security		4,834	
Unemployment Compensation		241	
Employer Medicare		1,130	
Dues and Memberships		397	
Legal Notices, Recording, and Court Costs		30	
Maintenance and Repair Services - Office Equipment		50	
Travel		100	
Office Supplies		2,875	
Data Processing Equipment		4,428	
Total Chancery Court			92,049

Juvenile Court

Judge(s)	\$	12,673	
Social Workers		27,921	
Guards		20	
Social Security		2,517	
Unemployment Compensation		196	
Employer Medicare		589	
Contracts with Private Agencies		495	
Travel		297	
Other Supplies and Materials		278	
Total Juvenile Court			44,986

(Continued)

Exhibit J-7

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	
Employer Medicare	187	
Total Judicial Commissioners		13,860

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 64,428	
Deputy(ies)	251,789	
Salary Supplements	6,000	
Secretary(ies)	17,518	
In-Service Training	7,415	
Social Security	21,064	
Unemployment Compensation	2,069	
Employer Medicare	4,926	
Communication	3,924	
Maintenance and Repair Services - Equipment	1,690	
Maintenance and Repair Services - Office Equipment	663	
Maintenance and Repair Services - Vehicles	9,984	
Postal Charges	746	
Travel	565	
Gasoline	35,100	
Law Enforcement Supplies	2,428	
Office Supplies	1,695	
Tires and Tubes	4,165	
Uniforms	3,944	
Other Supplies and Materials	980	
Data Processing Equipment	2,387	
Law Enforcement Equipment	4,938	
Motor Vehicles	105,000	
Total Sheriff's Department		553,418

Special Patrols

Deputy(ies)	\$ 9,254	
Social Security	574	
Unemployment Compensation	16	
Employer Medicare	134	
Law Enforcement Equipment	4,485	
Total Special Patrols		14,463

Drug Enforcement

Evaluation and Testing	\$ 2,070	
Total Drug Enforcement		2,070

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$ 350	
Total Administration of the Sexual Offender Registry		350

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Guards	\$	235,537	
Secretary(ies)		17,744	
Cafeteria Personnel		19,378	
Social Security		17,139	
Unemployment Compensation		3,804	
Employer Medicare		3,954	
Communication		8,480	
Data Processing Services		3,900	
Dues and Memberships		1,510	
Maintenance and Repair Services - Buildings		22,147	
Maintenance and Repair Services - Equipment		22,002	
Maintenance and Repair Services - Office Equipment		1,371	
Medical and Dental Services		38,561	
Pest Control		300	
Postal Charges		732	
Travel		398	
Custodial Supplies		4,498	
Electricity		27,283	
Food Supplies		31,483	
Garage Supplies		454	
Gasoline		11,781	
Law Enforcement Supplies		1,823	
Natural Gas		7,176	
Office Supplies		1,780	
Prisoners Clothing		948	
Uniforms		1,734	
Water and Sewer		11,302	
Other Supplies and Materials		7,989	
Law Enforcement Equipment		1,000	
Total Jail			\$ 506,208

Fire Prevention and Control

Supervisor/Director	\$	29,705	
In-Service Training		3,211	
Social Security		1,842	
Unemployment Compensation		198	
Employer Medicare		431	
Dues and Memberships		266	
Rentals		3,600	
Travel		789	
Electricity		1,356	
Equipment and Machinery Parts		22,201	
Gasoline		9,371	
Instructional Supplies and Materials		400	
Natural Gas		1,459	
Office Supplies		353	
Water and Sewer		524	
Building and Contents Insurance		1,300	
Other Charges		1,156	
Maintenance Equipment		10,495	
Total Fire Prevention and Control			88,657

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Rural Fire Protection

Advertising	\$	81	
Equipment and Machinery Parts		1,407	
Other Construction		65	
Total Rural Fire Protection			\$ 1,553

Other Emergency Management

Supervisor/Director	\$	24,152	
Salary Supplements		5,593	
Dispatchers/Radio Operators		111,763	
In-Service Training		974	
Social Security		8,773	
Unemployment Compensation		1,920	
Employer Medicare		2,052	
Communication		2,823	
Contracts with Private Agencies		8,000	
Maintenance and Repair Services - Buildings		725	
Maintenance and Repair Services - Office Equipment		1,445	
Pest Control		140	
Postal Charges		44	
Travel		989	
Custodial Supplies		973	
Electricity		3,932	
Natural Gas		455	
Office Supplies		2,457	
Water and Sewer		420	
Total Other Emergency Management			177,630

County Coroner/Medical Examiner

Medical Personnel	\$	8,520	
Total County Coroner/Medical Examiner			8,520

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,800	
Communication		2,351	
Contracts with Government Agencies		13,810	
Custodial Supplies		165	
Drugs and Medical Supplies		51	
Electricity		6,154	
Office Supplies		1,435	
Water and Sewer		1,652	
Other Supplies and Materials		2,600	
Building and Contents Insurance		550	
Other Charges		742	
Office Equipment		410	
Total Local Health Center			34,720

Ambulance/Emergency Medical Services

Supervisor/Director	\$	36,684	
Accountants/Bookkeepers		23,990	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Medical Personnel	\$ 249,469	
Paraprofessionals	191,298	
In-Service Training	1,744	
Social Security	31,089	
Unemployment Compensation	3,667	
Employer Medicare	7,271	
Contracts with Private Agencies	1,865	
Operating Lease Payments	11,100	
Licenses	1,500	
Maintenance and Repair Services - Buildings	235	
Maintenance and Repair Services - Vehicles	11,914	
Pest Control	120	
Postal Charges	980	
Travel	471	
Remittance of Revenue Collected	2,477	
Other Contracted Services	190	
Custodial Supplies	991	
Drugs and Medical Supplies	31,004	
Electricity	4,083	
Gasoline	21,175	
Office Supplies	2,769	
Uniforms	1,349	
Utilities	1,585	
Data Processing Equipment	1,800	
Office Equipment	354	
Total Ambulance/Emergency Medical Services	\$ 641,174	

Other Local Health Services

Medical Personnel	\$ 21,016	
Social Security	1,303	
Unemployment Compensation	198	
Employer Medicare	305	
Travel	273	
Total Other Local Health Services	23,095	

Regional Mental Health Center

Assistant(s)	\$ 7,293	
Supervisor/Director	27,257	
Deputy(ies)	31,309	
Youth Service Officer(s)	18,920	
Accountants/Bookkeepers	12,740	
Social Security	6,149	
Unemployment Compensation	1,011	
Employer Medicare	1,438	
Communication	1,786	
Consultants	6,300	
Travel	15,534	
Other Contracted Services	3,766	
Office Supplies	3,351	
Total Regional Mental Health Center	136,854	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

General Welfare Assistance

Bonus Payments	\$	47,557	
Social Security		2,914	
Unemployment Compensation		4	
Employer Medicare		681	
Total General Welfare Assistance			\$ 51,156

Sanitation Education/Information

Laborers	\$	15,699	
Clerical Personnel		6,800	
Social Security		1,395	
Unemployment Compensation		348	
Employer Medicare		326	
Contracts with Vehicle Owners		2,000	
Maintenance and Repair Services - Vehicles		2,027	
Gasoline		2,744	
Other Supplies and Materials		327	
Other Charges		5,661	
Total Sanitation Education/Information			37,327

Other Public Health and Welfare

Other Contracted Services	\$	10,000	
Total Other Public Health and Welfare			10,000

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	51,390	
Total Adult Activities			51,390

Libraries

Deputy(ies)	\$	15,894	
Librarians		32,600	
Clerical Personnel		14,763	
Part-time Personnel		7,102	
Other Salaries and Wages		1,498	
Social Security		4,519	
Unemployment Compensation		802	
Employer Medicare		1,057	
Dues and Memberships		175	
Janitorial Services		1,549	
Maintenance and Repair Services - Buildings		1,927	
Postal Charges		1,302	
Travel		354	
Other Contracted Services		285	
Custodial Supplies		600	
Data Processing Supplies		2,300	
Electricity		6,926	
Library Books/Media		17,325	
Natural Gas		698	
Office Supplies		2,000	
Water and Sewer		393	
Other Supplies and Materials		3,217	
Total Libraries			117,286

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

Contracts with Other Public Agencies	\$	32,400	
Total Other Social, Cultural, and Recreational			\$ 32,400

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	
Travel		1,374	
Office Supplies		1,248	
Other Equipment		693	
Total Agriculture Extension Service			34,337

Soil Conservation

Board and Committee Members Fees	\$	7,030	
Social Security		436	
Unemployment Compensation		152	
Employer Medicare		102	
Contributions		800	
Total Soil Conservation			8,520

Other Operations

Tourism

Maintenance Personnel	\$	1,601	
Social Security		99	
Unemployment Compensation		34	
Employer Medicare		23	
Contracts with Other Public Agencies		1,618	
Maintenance and Repair Services - Buildings		898	
Maintenance and Repair Services - Equipment		31	
Electricity		2,879	
Garage Supplies		1,281	
Other Charges		23,857	
Building Improvements		5,841	
Total Tourism			38,162

Other Economic and Community Development

County Official/Administrative Officer	\$	27,583	
Assistant(s)		9,390	
In-Service Training		973	
Social Security		1,372	
Unemployment Compensation		402	
Employer Medicare		321	
Maintenance and Repair Services - Buildings		1,571	
Custodial Supplies		461	
Food Supplies		10,746	
Office Supplies		555	
Utilities		7,686	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development (Cont.)

Other Supplies and Materials	\$	1,935	
Building and Contents Insurance		2,500	
Office Equipment		2,000	
Total Other Economic and Community Development	\$		67,495

Airport

Contracts with Private Agencies	\$	10,200	
Maintenance Agreements		5,471	
Maintenance and Repair Services - Buildings		468	
Diesel Fuel		57,500	
Electricity		1,122	
Water and Sewer		272	
Building and Contents Insurance		1,088	
Airport Improvement		59,918	
Total Airport			136,039

Veterans' Services

Supervisor/Director	\$	14,000	
Social Security		888	
Unemployment Compensation		305	
Employer Medicare		209	
Communication		1,195	
Travel		604	
Electricity		585	
Water and Sewer		167	
Other Supplies and Materials		867	
Total Veterans' Services			18,820

Other Charges

Communication	\$	32,123	
Total Other Charges			32,123

Employee Benefits

Social Security	\$	117	
Workers' Compensation Insurance		49,394	
Total Employee Benefits			49,511

Payments to Cities

Matching Share	\$	6,691	
Total Payments to Cities			6,691

Miscellaneous

Dues and Memberships	\$	1,769	
Remittance of Revenue Collected		10,910	
Liability Insurance		56,989	
Trustee's Commission		51,277	
Other Charges		1,000	
Total Miscellaneous			121,945

Total General Fund			\$	4,151,137
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(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

General Welfare Assistance

Bonus Payments	\$	2,392	
Social Security		148	
Employer Medicare		35	
Total General Welfare Assistance			\$ 2,575

Convenience Centers

Equipment Operators	\$	74,545	
Other Salaries and Wages		5,352	
Social Security		4,954	
Unemployment Compensation		642	
Employer Medicare		1,158	
Communication		475	
Contracts with Private Agencies		85,343	
Evaluation and Testing		2,066	
Operating Lease Payments		12,000	
Maintenance and Repair Services - Equipment		35,613	
Travel		35	
Disposal Fees		2,500	
Diesel Fuel		27,366	
Electricity		2,664	
Water and Sewer		2,200	
Maintenance Equipment		10,946	
Total Convenience Centers			267,859

Landfill Operation and Maintenance

General Construction Materials	\$	3,956	
Total Landfill Operation and Maintenance			3,956

Other Operations

Other Charges

Trustee's Commission	\$	5,154	
Total Other Charges			5,154

Total Solid Waste/Sanitation Fund \$ 279,544

Special Purpose Fund

Public Health and Welfare

Other Local Health Services

Consultants	\$	498,087	
Legal Notices, Recording, and Court Costs		261,058	
Land		214,000	
Building Purchases		2,200,000	
Other Equipment		26,000	
Total Other Local Health Services			\$ 3,199,145

Total Special Purpose Fund 3,199,145

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Office Supplies	\$	140	
Other Supplies and Materials		3,282	
Other Charges		3,537	
Law Enforcement Equipment		33,094	
Motor Vehicles		15,236	
Total Drug Enforcement			\$ 55,289

Total Drug Control Fund

\$ 55,289

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	59,814	
Total County Clerk's Office			\$ 59,814

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	13,408	
Total Chancery Court			13,408

Total Constitutional Officers - Fees Fund

73,222

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,553	
Accountants/Bookkeepers		29,835	
Secretary(ies)		43,737	
Data Processing Services		5,934	
Dues and Memberships		2,294	
Freight Expenses		756	
Operating Lease Payments		3,324	
Legal Notices, Recording, and Court Costs		1,227	
Postal Charges		270	
Printing, Stationery, and Forms		491	
Travel		1,501	
Office Supplies		833	
Other Charges		766	
Total Administration			\$ 154,521

Highway and Bridge Maintenance

Foremen	\$	95,799	
Equipment Operators		155,417	
Truck Drivers		154,439	
Laborers		10,551	
Other Contracted Services		144,428	
Asphalt - Cold Mix		6,305	
Asphalt - Liquid		205,798	
Crushed Stone		269,112	
Ice		966	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Other Road Supplies	\$	2,711	
Pipe - Metal		17,168	
Road Signs		5,072	
Structural Steel		289	
Wood Products		3,931	
Other Supplies and Materials		253	
Total Highway and Bridge Maintenance			\$ 1,072,239

Operation and Maintenance of Equipment

Mechanic(s)	\$	29,080	
Maintenance and Repair Services - Equipment		1,569	
Maintenance and Repair Services - Vehicles		2,069	
Diesel Fuel		71,840	
Equipment and Machinery Parts		18,968	
Garage Supplies		3,637	
Gasoline		35,827	
Lubricants		1,590	
Small Tools		886	
Tires and Tubes		15,886	
Vehicle Parts		10,665	
Total Operation and Maintenance of Equipment			192,017

Other Charges

Communication	\$	5,674	
Contracts with Private Agencies		2,175	
Janitorial Services		2,802	
Pest Control		200	
Rentals		321	
Custodial Supplies		219	
Drugs and Medical Supplies		151	
Electricity		3,803	
Water and Sewer		401	
Other Supplies and Materials		563	
Trustee's Commission		12,848	
Vehicle and Equipment Insurance		12,048	
Other Charges		2,186	
Total Other Charges			43,391

Employee Benefits

Social Security	\$	33,090	
Life Insurance		6,993	
Medical Insurance		129,497	
Unemployment Compensation		5,733	
Employer Medicare		7,739	
Laundry Service		2,518	
Workers' Compensation Insurance		31,391	
Total Employee Benefits			216,961

Capital Outlay

Engineering Services	\$	7,767	
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(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Bridge Construction	\$	1,003	
Highway Equipment		261,256	
Motor Vehicles		4,400	
Total Capital Outlay			\$ 274,426

Principal on Debt

Highways and Streets

Principal on Notes	\$	25,940	
Total Highways and Streets			25,940

Interest on Debt

Highways and Streets

Interest on Notes	\$	1,775	
Total Highways and Streets			1,775

Total Highway/Public Works Fund \$ 1,981,270

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	25,201	
Principal on Notes		221,081	
Principal on Other Loans		153,000	
Total General Government			\$ 399,282

Education

Principal on Notes	\$	55,556	
Principal on Other Loans		341,000	
Total Education			396,556

Interest on Debt

General Government

Interest on Bonds	\$	5,068	
Interest on Notes		24,834	
Interest on Other Loans		34,804	
Total General Government			64,706

Education

Interest on Notes	\$	11,216	
Interest on Other Loans		99,865	
Total Education			111,081

Other Debt Service

General Government

Trustee's Commission	\$	7,774	
Total General Government			7,774

Total General Debt Service Fund 979,399

(Continued)

Exhibit J-7

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

<u>General Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Industrial Development</u>			
County Official/Administrative Officer	\$	4,800	
Engineering Services		12,585	
Evaluation and Testing		1,500	
Total Industrial Development		<u>18,885</u>	\$ 18,885
Total General Capital Projects Fund			\$ 18,885
<u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Accountants/Bookkeepers	\$	7,575	
Engineering Services		39,496	
Other Construction		635,141	
Total Public Health and Welfare Projects		<u>682,212</u>	\$ 682,212
Total Other Capital Projects Fund			<u>682,212</u>
Total Governmental Funds - Primary Government			<u>\$ 11,420,103</u>

Exhibit J-8

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Houston County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,124,685	
Career Ladder Program		35,750	
Career Ladder Extended Contracts		16,320	
Homebound Teachers		4,400	
Educational Assistants		146,041	
Bonus Payments		11,797	
Other Salaries and Wages		24,639	
Certified Substitute Teachers		280	
Non-certified Substitute Teachers		74,476	
Social Security		198,811	
State Retirement		279,155	
Medical Insurance		233,938	
Employer Medicare		46,482	
Other Contracted Services		68,358	
Instructional Supplies and Materials		46,219	
Textbooks		96,937	
Other Supplies and Materials		5,393	
Other Charges		376	
Regular Instruction Equipment		158,964	
Total Regular Instruction Program	\$		4,573,021

Special Education Program

Teachers	\$	295,098	
Career Ladder Program		2,000	
Homebound Teachers		2,380	
Educational Assistants		112,078	
Non-certified Substitute Teachers		8,245	
Social Security		24,232	
State Retirement		25,968	
Medical Insurance		39,503	
Employer Medicare		5,735	
Instructional Supplies and Materials		850	
Other Supplies and Materials		1,927	
Special Education Equipment		844	
Total Special Education Program			518,860

Vocational Education Program

Teachers	\$	178,982	
Career Ladder Program		1,000	
Non-certified Substitute Teachers		2,130	
Social Security		9,928	
State Retirement		16,963	
Medical Insurance		34,520	
Employer Medicare		2,268	
Instructional Supplies and Materials		1,168	
Vocational Instruction Equipment		36	
Total Vocational Education Program			246,995

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	30,237	
Career Ladder Program		500	
Social Security		1,748	
Employer Medicare		409	
Travel		171	
Total Attendance			\$ 33,065

Health Services

Medical Personnel	\$	22,079	
Social Security		1,364	
Employer Medicare		319	
Drugs and Medical Supplies		623	
Other Supplies and Materials		266	
Total Health Services			24,651

Other Student Support

Guidance Personnel	\$	138,358	
School Resource Officer		14,500	
Other Salaries and Wages		42,362	
Social Security		10,400	
State Retirement		12,636	
Medical Insurance		10,695	
Employer Medicare		2,432	
Evaluation and Testing		4,851	
Travel		2,345	
Other Supplies and Materials		33,765	
Other Charges		4,509	
Total Other Student Support			276,853

Regular Instruction Program

Supervisor/Director	\$	191,048	
Career Ladder Program		2,000	
Librarians		177,684	
Instructional Computer Personnel		76,614	
Social Security		25,563	
State Retirement		32,921	
Medical Insurance		41,293	
Employer Medicare		5,979	
Travel		1,197	
Library Books/Media		14,279	
Other Supplies and Materials		85	
In Service/Staff Development		7,194	
Other Charges		1,000	
Other Equipment		90	
Total Regular Instruction Program			576,947

Alternative Instruction Program

Supervisor/Director	\$	45,631	
Career Ladder Program		1,000	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Social Security	\$	2,381	
State Retirement		4,141	
Medical Insurance		7,139	
Employer Medicare		557	
Maintenance and Repair Services - Equipment		1,101	
Travel		163	
Other Supplies and Materials		210	
In Service/Staff Development		100	
Other Equipment		179	
Total Alternative Instruction Program			\$ 62,602

Special Education Program

Supervisor/Director	\$	37,745	
Career Ladder Program		1,000	
Psychological Personnel		53,098	
Social Security		5,477	
State Retirement		8,067	
Medical Insurance		1,985	
Employer Medicare		1,281	
Travel		2,222	
Other Supplies and Materials		1,500	
Other Charges		236	
Total Special Education Program			112,611

Other Programs

On-Behalf Payments to OPEB	\$	24,660	
Total Other Programs			24,660

Board of Education

Board and Committee Members Fees	\$	5,150	
Social Security		319	
Unemployment Compensation		20,311	
Employer Medicare		75	
Audit Services		3,500	
Dues and Memberships		5,394	
Legal Services		10,531	
Travel		976	
Other Contracted Services		7,512	
Other Supplies and Materials		131	
Liability Insurance		123,751	
Premiums on Corporate Surety Bonds		892	
Trustee's Commission		37,493	
Workers' Compensation Insurance		80,476	
In Service/Staff Development		3,030	
Criminal Investigation of Applicants - TBI		2,050	
Other Charges		6,990	
Total Board of Education			308,581

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	89,363	
Career Ladder Extended Contracts		1,000	
Secretary(ies)		30,900	
Clerical Personnel		28,900	
Social Security		8,857	
State Retirement		8,024	
Medical Insurance		3,543	
Employer Medicare		2,072	
Communication		5,274	
Dues and Memberships		1,336	
Postal Charges		1,942	
Travel		2,326	
In Service/Staff Development		85	
Total Director of Schools			\$ 183,622

Office of the Principal

Principals	\$	238,276	
Career Ladder Program		2,500	
Assistant Principals		59,091	
Secretary(ies)		93,600	
Clerical Personnel		49,122	
Social Security		27,896	
State Retirement		28,675	
Medical Insurance		10,975	
Employer Medicare		6,524	
Communication		9,200	
Dues and Memberships		2,900	
Travel		39	
In Service/Staff Development		219	
Other Charges		2,020	
Total Office of the Principal			531,037

Fiscal Services

Accountants/Bookkeepers	\$	73,991	
Social Security		4,434	
Employer Medicare		1,037	
Travel		993	
Other Contracted Services		8,728	
Data Processing Supplies		1,380	
Office Supplies		3,050	
In Service/Staff Development		580	
Other Charges		100	
Administration Equipment		588	
Total Fiscal Services			94,881

Operation of Plant

Guards	\$	26,205	
Custodial Personnel		175,356	
Other Salaries and Wages		31,041	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Social Security	\$	14,318	
Employer Medicare		3,348	
Rentals		12,000	
Disposal Fees		5,335	
Other Contracted Services		7,521	
Custodial Supplies		16,720	
Electricity		355,396	
Natural Gas		52,531	
Water and Sewer		63,575	
Other Supplies and Materials		770	
Boiler Insurance		3,800	
Other Charges		898	
Plant Operation Equipment		469	
Total Operation of Plant			\$ 769,283

Maintenance of Plant

Maintenance Personnel	\$	91,450	
Social Security		5,651	
Employer Medicare		1,322	
Maintenance and Repair Services - Buildings		39,486	
Maintenance and Repair Services - Equipment		36,884	
Equipment and Machinery Parts		1,225	
Other Supplies and Materials		4,290	
Total Maintenance of Plant			180,308

Transportation

Supervisor/Director	\$	40,120	
Mechanic(s)		69,580	
Bus Drivers		151,034	
Other Salaries and Wages		17,634	
Social Security		16,983	
Employer Medicare		3,972	
Communication		1,656	
Maintenance and Repair Services - Vehicles		3,041	
Medical and Dental Services		2,641	
Travel		1,136	
Other Contracted Services		1,233	
Garage Supplies		7,472	
Gasoline		108,182	
Lubricants		2,537	
Tires and Tubes		9,197	
Vehicle Parts		17,998	
Other Supplies and Materials		1,766	
In Service/Staff Development		950	
Other Charges		488	
Transportation Equipment		88,115	
Total Transportation			545,735

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	29,900	
Social Security		1,839	
Employer Medicare		430	
Total Food Service			\$ 32,169

Community Services

Supervisor/Director	\$	18,975	
Other Salaries and Wages		6,333	
Social Security		1,559	
Employer Medicare		365	
Travel		311	
Other Supplies and Materials		519	
Other Equipment		796	
Total Community Services			28,858

Early Childhood Education

Supervisor/Director	\$	25,164	
Teachers		124,483	
Educational Assistants		68,004	
Other Salaries and Wages		39,086	
Non-certified Substitute Teachers		1,675	
Social Security		15,763	
State Retirement		13,289	
Medical Insurance		2,329	
Employer Medicare		3,687	
Travel		835	
Instructional Supplies and Materials		8,633	
Other Supplies and Materials		2,879	
In Service/Staff Development		1,585	
Other Charges		1,145	
Other Equipment		20,911	
Total Early Childhood Education			329,468

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	1,600	
Building Improvements		80,228	
Other Capital Outlay		3,697	
Total Regular Capital Outlay			85,525

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	466,772	
Total Education			466,772

Total General Purpose School Fund \$ 10,006,504

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	317,315	
Educational Assistants		101,568	
Bonus Payments		19,003	
Other Salaries and Wages		14,355	
Non-certified Substitute Teachers		895	
Social Security		26,134	
State Retirement		24,318	
Medical Insurance		14,119	
Employer Medicare		6,112	
Instructional Supplies and Materials		55,669	
Other Supplies and Materials		5,612	
Regular Instruction Equipment		66,632	
Total Regular Instruction Program			\$ 651,732

Special Education Program

Teachers	\$	124,294	
Educational Assistants		79,544	
Non-certified Substitute Teachers		1,825	
Social Security		11,826	
State Retirement		11,037	
Medical Insurance		17,055	
Employer Medicare		2,766	
Contracts with Private Agencies		47,334	
Instructional Supplies and Materials		5,497	
Other Supplies and Materials		2,079	
Special Education Equipment		3,015	
Total Special Education Program			306,272

Vocational Education Program

Other Contracted Services	\$	1,700	
Instructional Supplies and Materials		4,648	
Vocational Instruction Equipment		7,581	
Total Vocational Education Program			13,929

Support Services

Other Student Support

Travel	\$	7,151	
Total Other Student Support			7,151

Regular Instruction Program

Other Salaries and Wages	\$	9,091	
Social Security		552	
State Retirement		558	
Medical Insurance		336	
Employer Medicare		129	
Consultants		2,250	
Other Contracted Services		20,247	
Other Supplies and Materials		1,250	
In Service/Staff Development		3,797	
Total Regular Instruction Program			38,210

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Travel	\$	590	
Other Contracted Services		<u>3,843</u>	
Total Special Education Program	\$		4,433

Vocational Education Program

Travel	\$	800	
In Service/Staff Development		<u>333</u>	
Total Vocational Education Program			<u>1,133</u>

Total School Federal Projects Fund \$ 1,022,860

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	295,286	
Social Security		18,259	
Employer Medicare		4,270	
Communication		1,640	
Maintenance and Repair Services - Equipment		17,213	
Transportation - Other than Students		4,062	
Travel		1,023	
Other Contracted Services		14,642	
Food Supplies		379,419	
USDA - Commodities		37,053	
Other Supplies and Materials		36,419	
In Service/Staff Development		923	
Other Charges		5,194	
Food Service Equipment		<u>799</u>	
Total Food Service	\$		<u>816,202</u>

Total Central Cafeteria Fund 816,202

Total Governmental Funds - Houston County School Department \$ 11,845,566

Exhibit J-9

Houston County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2013

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 430,468
Total Cash Receipts	<u>\$ 430,468</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 426,163
Trustee's Commission	4,305
Total Cash Disbursements	<u>\$ 430,468</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
Cash Balance, June 30, 2013	<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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type 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, 2013, and the related notes to the financial statements, which collectively comprise Houston County's basic financial statements, and have issued our report thereon dated November 22, 2013. Our report on the Business-type Activities and the Houston County Community Hospital major enterprise fund was adverse due to not including the financial statements of the Houston County Community Hospital, which had not been made available by other auditors as of the date of this report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Houston County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Houston County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2013-001 and 2013-008.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-004, 2013-005, 2013-007, and 2013-009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Houston County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-002, 2013-003, and 2013-006.

Houston County's Responses to Findings

Houston County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Houston County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering

Houston County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 on the left side.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

November 22, 2013

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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PHONE (615) 401-7841

**Report on the Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on the Schedule of Expenditures of Federal Awards Required by OMB
Circular A-133**

We have audited the accompanying Schedule of Expenditures of Federal Awards of Houston County, Tennessee, for the year ended June 30, 2013.

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of the Schedule of Expenditures of Federal Awards in accordance with OMB Circular A-133. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule.

Auditor's Responsibility

Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards based on our audit. We conducted our audit 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 the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Houston County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards of Houston County in conformity with accounting principles generally accepted in the United States of America for the year ended June 30, 2013.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, 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.

Other Reporting Required by OMB Circular A-133

In accordance with OMB Circular A-133 we have also issued our report dated November 22, 2013, on our consideration of compliance for each major program and internal control over compliance. The purpose of that report was to express an opinion on compliance for each major federal program based on our audit and to describe the scope of our testing of internal control over compliance. That report is an integral part of an audit performed in accordance with OMB Circular A-133 and should be considered in assessing the results of our audit.

This report is intended for the purposes described under the Auditor's Responsibility and Opinion paragraphs. Accordingly, this report is not suitable for any other purpose.

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
Nashville, Tennessee

November 22, 2013

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required
by OMB Circular A-133**

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Houston County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Houston County's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Houston County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide legal determination of Houston County's compliance.

Opinion on Each Major Federal Program

In our opinion, Houston County complied, in all material respects, with the types of compliance 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, 2013.

Report on Internal Control Over Compliance

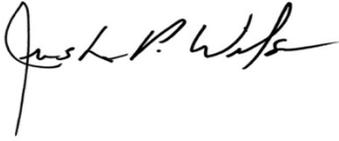
Management of Houston County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Houston County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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
Nashville, Tennessee

November 22, 2013

JPW/yu

Houston County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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	\$ 131,692
National School Lunch Program	10.555	N/A	339,522 (4)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	37,053 (4)
Direct Programs:			
Community Facilities Loans and Grants	10.766	N/A	4,462,520 (5)
Emergency Watershed Protection Program	10.923	N/A	76,472
Total U.S. Department of Agriculture			\$ 5,047,259
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)	\$ 532,456
Total U.S. Department of Housing and Urban Development			\$ 532,456
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	(3)	700
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	N/A	3,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	24,821
Total U.S. Department of Justice			\$ 37,521
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	AERO-M13-306-00	\$ 7,350
Alcohol Open Container Requirements	20.607	Z-13-GHS149	15,212
Total U.S. Department of Transportation			\$ 22,562
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 371,489
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	352,338
Special Education - Preschool Grants	84.173	N/A	6,418
Career and Technical Education - Basic Grants to States	84.048	N/A	68,023
Safe and Drug-free Schools and Communities - State Grants	84.186	(3)	14,500
Improving Teacher Quality State Grants	84.367	N/A	56,235
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	181,555
Education Jobs Fund	84.410	N/A	34,854
Total U.S. Department of Education			\$ 1,085,412
U.S. Department of Health and Human Services:			
Direct Program:			
Drug-free Communities Support Program Grants	93.276	N/A	\$ 134,291
Total U.S. Department of Health and Human Services			\$ 134,291
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1909-DR-TN	\$ 139,470
Homeland Security Grant Program	97.067	2009-SS-T9-0086	1,322
Total U.S. Department of Homeland Security			\$ 140,792
Total Expenditures of Federal Awards			\$ 7,000,293

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
ConnecTenn Grant - State Department of Education	N/A	(3)	\$ 4,429
Early Childhood Education - State Department of Education	N/A	(3)	311,467
Coordinated School Health - State Department of Education	N/A	(3)	84,357
Family Resource Center - State Department of Education	N/A	(3)	28,856
Safe Schools Act of 1998 - State Department of Education	N/A	(3)	8,800
Statewide Student Management System (SSMS) - State Department of Education	N/A	(3)	3,575
Student Ticket Subsidy Grant - State Department of Education	N/A	(3)	1,200
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(3)	1,562
Preventive Health and Human Services - State Department of Health	N/A	GG-13-32893	17,097
Voting Equipment Grant - Tennessee Department of State	N/A	(3)	1,000
Litter Grant - State Department of Transportation	N/A	(3)	34,756
Airport Land Acquisition Grant - State Department of Transportation	N/A	(3)	<u>57,699</u>
Total State Grants			<u>\$ 554,798</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) 34004-79413: \$18,885; GG-10-34728-00: \$513,571.
- (3) Information not available.
- (4) Total for CFDA No. 10.555 is \$376,575.
- (5) During the year, Houston County received a loan of \$5,013,150 from the U.S. Department of Housing and Urban Development for the acquisition of a community hospital. The county expended \$4,462,520 during the year ended June 30, 2013, and had an outstanding loan balance of \$5,013,150 on June 30, 2013.

Houston County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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, 2012, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	135	Material audit adjustments were required for proper financial statement presentation

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.03	136	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>
12.04	137	Bank statements were not accurately reconciled with the general ledger
12.05	137	The General Sessions Court execution docket trial balance did not reconcile with cash journal accounts

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.06	138	The office had accounting deficiencies

HOUSTON COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.07	138	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 OF DEEDS; AND SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.08	139	Duties were not segregated adequately

HOUSTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the business-type activities and the Houston County Community Hospital Fund major enterprise fund is adverse. Our report on the governmental activities, the aggregate discretely presented component units, each major fund (except the Houston County Community Hospital Fund), and the aggregate remaining fund information is unmodified.
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 unmodified 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. Community Facilities Loans and Grants (CFDA No. 10.766) and Community Development Block Grants/State's Program (CFDA No. 14.228) 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 and the annual monitoring of assessors of property by the state Division of Property Assessments, are presented below. The circuit, general sessions, and juvenile courts clerk provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY MAYOR

FINDING 2013-001

THE GENERAL DEBT SERVICE AND OTHER CAPITAL PROJECTS FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2013, certain general ledger account balances in the General Debt Service and Other Capital Projects funds were not materially correct. Audit adjustments totaling \$104,951 (General Debt Service Fund) and \$206,314 (Other Capital Projects Fund) were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Houston County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

FINDING 2013-002

AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT

(Noncompliance Under *Government Auditing Standards*)

The county had a contract in excess of \$500,000 and did not deposit amounts withheld from contractor payments into an escrow account. Section 66-34-104, *Tennessee Code Annotated*, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. Management advised that they were not aware that

amounts withheld from contractor payments had to be deposited into an escrow account. This noncompliance could result in the loss of interest earnings for the contractor.

RECOMMENDATION

Amounts withheld from contractor payments on contracts of \$500,000 or more should be deposited into an escrow account in compliance with state statute.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2013-003

MOBILE HOMES SCHEDULES WERE NOT MAILED TO THE LAND OWNER WHERE THE MOBILE HOME WAS LOCATED

(Noncompliance Under *Government Auditing Standards*)

Mobile home schedules were not mailed to the owner of the land where the mobile homes were located. Section 67-5-802, *Tennessee Code Annotated (TCA)*, requires the assessor to furnish a schedule to each land owner of a mobile home park by March 1 of each year. It is the land owner's responsibility to complete the schedule to report the number of mobile homes, make, serial number, size, original cost, and any other information necessary for proper assessment of the mobile homes. This deficiency occurred because the assessor failed to follow the state statute, which could result in the inaccurate assessment of the property.

RECOMMENDATION

The assessor should provide to land owners where mobile homes are located a schedule of each mobile home before March 1 of each tax year and should review them for accuracy.

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

FINDING 2013-004

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 2013-005

BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGER

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Bank statements for General Sessions and Juvenile Courts had not been accurately reconciled with the general ledger on a monthly basis. Employees had attempted to reconcile the bank accounts a few times during the year and had also posted several general journal entries to balance the accounts. However, these journal entries totaling \$389 and \$462 for General Sessions and Juvenile Courts, respectively, were not adequately explained, and other errors had not been identified and corrected. The monthly reconciliation of bank statements and the identification and correction of errors are necessary procedures to ensure that all cash collections are recorded accurately on 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.

MANAGEMENT'S RESPONSE – GENERAL SESSIONS AND JUVENILE COURTS CLERK

I realize I am responsible for the accuracy of every element of this department. However, I was not the bookkeeper for the audit year 2012-13. I was not aware of any discrepancies in the bank statements of the General Sessions and Juvenile Courts. The bookkeeper left this office at the end of June 2013. I will, as soon as possible, bring all bank statements into balance.

FINDING 2013-006

**THE GENERAL SESSIONS COURT EXECUTION
DOCKET TRIAL BALANCE DID NOT RECONCILE
WITH CASH JOURNAL ACCOUNTS**

(Noncompliance Under *Government Auditing Standards*)

At June 30, 2013, 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 \$12,139, 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 is the result of management's failure to correct the finding noted in the prior-year audit report.

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.

MANAGEMENT'S RESPONSE – CIRCUIT, GENERAL SESSIONS, AND JUVENILE
COURTS CLERK

Unclaimed funds were not reported and paid to the state. I have continued to pay out money being held by this court. Unclaimed cash bonds totaling \$8,095 have been dispersed to pay cost, to be transferred to another court, or have been refunded. There are several cases that have not been disposed, which are carrying unclaimed cash bonds on them. However, all remaining unclaimed property will be reported and paid to the state Treasurer's Office as soon as possible.

OFFICE OF SHERIFF

FINDING 2013-007

THE OFFICE HAD ACCOUNTING DEFICIENCIES

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The official cash journal and annual financial report did not properly reflect the operations of the office. Receipts (\$34,592) and disbursements (\$46,706) for commissary operations were not accurately posted to the cash journal or the annual financial report. Also, the cash journal and annual financial report did not reflect activity involving confidential drug funds, which included disbursements of \$480 and a balance of \$371 at June 30, 2013. 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 2013-008

**HOUSTON COUNTY HAS A MATERIAL RECURRING
AUDIT FINDING**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

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

<u>Finding Numbers</u>	<u>Description</u>
2013-001, 12.01, 11.01	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. Houston County has established an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Houston County should work with its Audit Committee to correct the above-noted material weakness in internal control.

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

FINDING 2013-009

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 of Deeds; 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.

MANAGEMENT'S RESPONSE – CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

This is a very small office. We handle all monies for the Circuit, General Sessions, and Juvenile Courts. There is no way possible for duties described in this finding to be segregated. I have three separate cash drawers and three separate checking accounts. Each staff member in this office must receipt money. I and one deputy clerk share the responsibility for closing the books on a daily basis and doing the deposits. I will gladly follow any reasonable suggestion to eliminate this problem.

AUDITOR'S COMMENT

We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, our professional standards require that we bring this matter to your attention. Guidance and forms are available on the Comptroller's Division of Local Government Audit web-site to assist officials in improving the segregation duties within their offices. This guidance can be accessed at www.comptroller.tn.gov/la.

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, 2013**

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