
ANNUAL FINANCIAL REPORT HOUSTON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



ANNUAL FINANCIAL REPORT
HOUSTON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2014

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

HOUSTON COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Houston County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2014.

Results

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

Our audit resulted in 13 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

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The General Debt Service Fund required material audit adjustments for proper financial statement presentation.
- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
- ◆ Drug Control Fund appropriations exceeded estimated available funding.

OFFICE OF ROAD SUPERINTENDENT

- ◆ Expenditures exceeded appropriations.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ A cash shortage of \$4,453.33 existed in the General Purpose School Fund.
 - ◆ The cash shortage was not reported currently to the Comptroller of the Treasury.
 - ◆ The office had deficiencies in accounting for employee payroll deductions and benefits.
 - ◆ Expenditures exceeded appropriations.
-

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 and Juvenile Courts execution docket trial balance did not reconcile with cash journal accounts.
-

HOUSTON COUNTY

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

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

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Houston County Officials

June 30, 2014

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

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, 2014, 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 did not audit the financial statements of the Houston County Community Hospital, a major fund and the entire business-type activities. Also, we did not audit the financial statements of the Houston County Emergency Communications District, which represent 5.7 percent, 5.5 percent, and 2.4 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar

as it relates to the amounts included for the Houston County Community Hospital and the Houston County Emergency Communications District, is based solely on the reports of the other auditors. 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.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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.

Change in Accounting Principles

As described in Note V.B., Houston County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

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 84 - 85 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 opinions on the financial statements that collectively comprise Houston County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Houston County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Houston County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

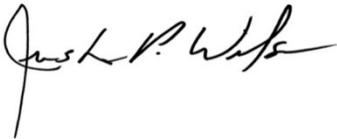
In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Houston County Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, 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

March 16, 2015

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Houston County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Government		Component Units	
	Governmental	Business-type	Houston	Houston
	Activities	Activities	School	County
		Total	Emergency	Communications
			Department	District
<u>ASSETS</u>				
Cash	\$ 4,840	\$ 160,241	\$ 0	\$ 488,045
Equity in Pooled Cash and Investments	2,786,697	0	5,116,827	0
Inventories	0	69,750	0	0
Accounts Receivable	787,745	2,009,442	0	6,045
Allowance for Uncollectibles	(369,566)	(650,193)	0	0
Due from Other Governments	527,646	0	380,942	3,653
Due from Component Units	131	0	0	0
Property Taxes Receivable	2,146,540	0	552,266	0
Allowance for Uncollectible Property Taxes	(107,419)	0	(27,638)	0
Prepaid Items	0	25,325	0	9,251
Accrued Interest Receivable	0	0	21,727	1,719
Cash Shortage	0	0	2,870	0
Internal Balances	960,317	(960,317)	0	0
Notes Receivable - Long-term	85,258	0	0	0
Capital Assets:				
Assets Not Depreciated:				
Land	973,888	214,000	333,220	0
Construction in Progress	2,340,417	39,683	97,075	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	4,198,483	1,121,242	6,831,630	19,791
Infrastructure	1,633,993	0	0	0
Other Capital Assets	1,481,168	208,725	1,204,944	349,962
Total Assets	\$ 17,450,138	\$ 2,237,898	\$ 14,513,863	\$ 878,466

(Continued)

Houston County, Tennessee
Statement of Net Position (Cont.)

Exhibit A

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Houston County School Department	Houston County Emergency Communications District	
<u>NET POSITION</u>						
Net Investment in Capital Assets						
Restricted for:						
General Government	\$ 970,632	\$ 1,548,364	\$ 2,518,996	\$ 8,466,869		\$ 284,495
Finance	214,299	0	214,299	0		0
Administration of Justice	2,670	0	2,670	0		0
Public Safety	20,367	0	20,367	0		0
Public Health and Welfare	58,334	0	58,334	0		0
Highway/Public Works	43,885	115,184	159,069	0		0
Capital Outlay	994,175	0	994,175	0		0
Debt Service	23,761	0	23,761	0		0
Education	1,409,800	0	1,409,800	0		0
Operation of Non-instructional Services	0	0	0	5,928		0
Unrestricted	0	0	0	215,412		0
	(5,686,372)	(151,002)	(5,837,374)	4,717,462		502,636
Total Net Position	\$ (1,948,449)	\$ 1,512,546	\$ (435,903)	\$ 13,405,671		\$ 787,131

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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Houston County School Department	Houston County Emergency Communications District	Houston County Emergency Communications District	
					Governmental Activities	Business-type Activities			Total	
Primary Government:										
Governmental Activities:										
General Government	\$ 935,331	\$ 100,615	\$ 225,763	\$ 0	\$ (608,953)	\$ 0	\$ (608,953)	\$ 0	\$ 0	\$ 0
Finance	389,092	203,252	0	0	(185,840)	0	(185,840)	0	0	0
Administration of Justice	364,389	140,469	0	0	(223,920)	0	(223,920)	0	0	0
Public Safety	981,310	171,039	321,256	913,236	424,221	0	424,221	0	0	0
Public Health and Welfare	1,626,932	175,330	76,271	0	(1,375,331)	0	(1,375,331)	0	0	0
Social, Cultural, and Recreational Services	221,917	138	0	0	(221,779)	0	(221,779)	0	0	0
Agriculture and Natural Resources	47,093	0	0	0	(47,093)	0	(47,093)	0	0	0
Highway/Public Works	1,793,002	14,845	1,380,017	263,814	(134,326)	0	(134,326)	0	0	0
Interest on Long-term Debt	206,292	0	476,882	0	270,590	0	270,590	0	0	0
Total Governmental Activities	\$ 6,565,358	\$ 805,688	\$ 2,480,189	\$ 1,177,050	\$ (2,102,431)	\$ 0	\$ (2,102,431)	\$ 0	\$ 0	\$ 0
Business-type Activities:										
Houston County Community Hospital	\$ 6,024,422	\$ 4,179,587	\$ 0	\$ 39,683	\$ 0	\$ (1,805,152)	\$ (1,805,152)	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 12,589,780	\$ 4,985,275	\$ 2,480,189	\$ 1,216,733	\$ (2,102,431)	\$ (1,805,152)	\$ (3,907,583)	\$ 0	\$ 0	\$ 0
Component Units:										
Houston County School Department	\$ 12,304,476	\$ 342,521	\$ 1,778,627	\$ 0	\$ 0	\$ 0	\$ (10,183,328)	\$ 0	\$ 0	\$ 0
Houston County Emergency Communications District	324,181	94,511	142,182	0	0	0	0	0	0	(87,488)
Total Component Units	\$ 12,628,657	\$ 437,032	\$ 1,920,809	\$ 0	\$ 0	\$ 0	\$ (10,183,328)	\$ 0	\$ (10,183,328)	\$ (87,488)

(Continued)

Exhibit B

Houston County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities		Houston County School Department	Houston County Emergency Communications District
					Governmental Activities	Total		
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 2,549,166	\$ 2,549,166	\$ 662,296	\$ 0
Property Taxes Levied for Debt Service					24,990	24,990	0	0
Local Option Sales Taxes					105,916	105,916	545,546	0
Payments in-Lieu-of Taxes - Local Utilities					33,472	33,472	0	0
Wheel Tax					321,218	321,218	0	0
Litigation Tax - General					0	0	0	0
Wholesale Beer Tax					31,133	31,133	0	0
Other Local Taxes					40,627	40,627	35,094	0
Grants and Contributions Not Restricted to Specific Programs					109,502	129,502	8,333,128	34,837
Unrestricted Investment Income					0	0	41,493	3,946
Miscellaneous					49,566	49,566	39,114	10,087
Total General Revenues					\$ 3,265,590	\$ 3,285,590	\$ 9,656,671	\$ 48,870
Transfers					\$ (1,288,506)	\$ 1,288,506	\$ 0	\$ 0
Change in Net Position					\$ (125,347)	\$ (496,646)	\$ (526,657)	\$ (38,618)
Net Position, July 1, 2013					(1,823,102)	2,009,192	13,932,328	825,749
Net Position, June 30, 2014					\$ (1,948,449)	\$ 1,512,546	\$ 13,405,671	\$ 787,131

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, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	0	0	4,840	4,840
Equity in Pooled Cash and Investments	867,241	36,075	993,478	707,285	182,618	2,786,697	2,786,697
Accounts Receivable	783,855	0	3,863	7	20	787,745	787,745
Allowance for Uncollectibles	(369,566)	0	0	0	0	(369,566)	(369,566)
Due from Other Governments	127,336	0	230,400	2	169,908	527,646	527,646
Due from Other Funds	0	0	0	75	0	75	75
Due from Component Units	0	0	131	0	0	131	131
Property Taxes Receivable	1,951,606	0	10,420	20,840	163,674	2,146,540	2,146,540
Allowance for Uncollectible Property Taxes	(98,410)	0	(521)	(1,042)	(7,446)	(107,419)	(107,419)
Advances to Other Funds	0	0	0	960,317	0	960,317	960,317
Notes Receivable - Long-term	0	0	0	85,258	0	85,258	85,258
Total Assets	\$ 3,262,062	\$ 36,075	\$ 1,237,771	\$ 1,772,742	\$ 513,614	\$ 6,822,264	\$ 6,822,264

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Allowance for Uncollectibles
 Due from Other Governments
 Due from Other Funds
 Due from Component Units
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Advances to Other Funds
 Notes Receivable - Long-term

LIABILITIES

Accounts Payable
 Payroll Deductions Payable
 Contracts Payable
 Retainage Payable
 Due to Other Funds
 Due to State of Tennessee
 Total Liabilities

\$	0	0	22,599	0	0	0	22,599
2,328	0	392	0	102	0	2,822	2,822
0	0	0	0	164,032	0	164,032	164,032
0	0	0	0	35,341	0	35,341	35,341
0	75	0	0	0	0	75	75
116	0	0	0	410	0	526	526
\$ 2,444	\$ 75	\$ 22,991	\$ 0	\$ 199,885	\$ 0	\$ 225,395	\$ 225,395

(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		
\$	1,717,066	0	9,182	18,365	146,914		1,891,527
	115,260	0	607	1,213	7,885		124,965
	395,785	0	113,561	0	5,469		514,815
\$	2,228,111	0	123,350	19,578	160,268		2,531,307

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	\$	4,934	0	0	0	0	4,934
Deferred Delinquent Property Taxes		2,670	0	0	0	0	2,670
Other Deferred/Unavailable Revenue		20,367	0	0	0	0	20,367
Total Deferred Inflows of Resources	\$	24,670	0	0	0	33,664	58,334
		0	36,000	0	0	0	36,000
		205,869	0	0	0	0	205,869
		0	896,853	0	0	0	896,853
		0	0	0	0	23,761	23,761
		0	0	1,487,983	0	0	1,487,983
		0	0	0	0	230	230
		0	0	0	0	4,630	4,630
		0	0	0	0	91,176	91,176
		0	194,577	0	0	0	194,577
		0	0	265,181	0	0	265,181
Unassigned		772,997	0	0	0	0	772,997
Total Fund Balances	\$	1,031,507	36,000	1,091,430	1,753,164	153,461	4,065,562

FUND BALANCES

Restricted:							
Restricted for General Government	\$	4,934	0	0	0	0	4,934
Restricted for Finance		2,670	0	0	0	0	2,670
Restricted for Administration of Justice		20,367	0	0	0	0	20,367
Restricted for Public Safety		24,670	0	0	0	33,664	58,334
Restricted for Public Health and Welfare		0	36,000	0	0	0	36,000
Restricted for Other Operations		205,869	0	0	0	0	205,869
Restricted for Highways/Public Works		0	896,853	0	0	0	896,853
Restricted for Capital Outlay		0	0	0	0	23,761	23,761
Restricted for Debt Service		0	0	1,487,983	0	0	1,487,983
Committed:							
Committed for General Government		0	0	0	0	230	230
Committed for Finance		0	0	0	0	4,630	4,630
Committed for Public Health and Welfare		0	0	0	0	91,176	91,176
Committed for Highways/Public Works		0	194,577	0	0	0	194,577
Committed for Debt Service		0	0	265,181	0	0	265,181
Unassigned		772,997	0	0	0	0	772,997
Total Fund Balances	\$	1,031,507	36,000	1,091,430	1,753,164	153,461	4,065,562
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	3,262,062	36,075	1,237,771	1,772,742	513,614	6,822,264

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, 2014

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)		\$	4,065,562
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	973,888	
Add: construction in progress		2,340,417	
Add: buildings and improvements net of accumulated depreciation		4,198,483	
Add: infrastructure net of accumulated depreciation		1,633,993	
Add: other capital assets net of accumulated depreciation		<u>1,481,168</u>	10,627,949
(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	\$	(1,655,329)	
Less: other loans payable		(14,827,970)	
Less: bonds payable		(99,169)	
Less: compensated absences payable		(14,218)	
Less: landfill closure/postclosure care costs		(603,030)	
Less: accrued interest on notes, other loans, and bonds		<u>(82,024)</u>	(17,281,740)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>639,780</u>
Net position of governmental activities (Exhibit A)		\$	<u>(1,948,449)</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, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Special Purpose	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,574,692	\$ 0	\$ 12,831	\$ 352,295	\$ 170,454	\$ 3,110,272	
Licenses and Permits	2,953	0	0	0	0	2,953	
Fines, Forfeitures, and Penalties	35,741	0	600	0	1,131	37,472	
Charges for Current Services	506,150	0	0	0	67,176	573,326	
Other Local Revenues	85,678	1,000	39,095	0	9,604	135,377	
Fees Received from County Officials	261,482	0	0	0	0	261,482	
State of Tennessee	453,172	0	1,539,296	81,400	44,465	2,118,333	
Federal Government	147,781	0	104,518	0	906,289	1,158,588	
Other Governments and Citizens Groups	154,565	0	0	476,882	0	631,447	
Total Revenues	\$ 4,222,214	\$ 1,000	\$ 1,696,340	\$ 910,577	\$ 1,199,119	\$ 8,029,250	
<u>Expenditures</u>							
Current:							
General Government	\$ 515,646	\$ 0	\$ 0	\$ 0	\$ 0	\$ 515,646	
Finance	313,113	0	0	0	62,764	375,877	
Administration of Justice	345,517	0	0	0	4,795	350,312	
Public Safety	1,233,763	0	0	0	119,893	1,353,656	
Public Health and Welfare	860,293	891,459	0	0	300,346	2,052,098	
Social, Cultural, and Recreational Services	207,014	0	0	0	0	207,014	
Agriculture and Natural Resources	45,698	0	0	0	0	45,698	
Other Operations	644,874	0	0	0	798,774	1,443,648	
Highways	0	0	1,789,154	0	0	1,789,154	
Debt Service:							
Principal on Debt	0	0	49,039	759,069	0	808,108	
Interest on Debt	0	0	8,620	185,317	0	193,937	
Other Debt Service	0	0	0	7,685	0	7,685	

(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>Expenditures (Cont.)</u>							
Capital Projects	\$ 79,557	\$ 0	\$ 0	\$ 0	\$ 0	\$ 123,711	\$ 203,268
Total Expenditures	\$ 4,245,475	\$ 891,459	\$ 1,846,813	\$ 952,071	\$ 0	\$ 1,410,283	\$ 9,346,101
Excess (Deficiency) of Revenues Over Expenditures	\$ (23,261)	\$ (890,459)	\$ (150,473)	\$ (41,494)	\$ 0	\$ (211,164)	\$ (1,316,851)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 62,000	\$ 400,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 462,000
Other Loans Issued	0	1,213,620	0	0	0	0	1,213,620
Insurance Recovery	834	0	0	0	0	0	834
Transfers Out	(50,715)	(1,237,791)	0	0	0	0	(1,288,506)
Total Other Financing Sources (Uses)	\$ 12,119	\$ 375,829	\$ 0	\$ 0	\$ 0	\$ 0	\$ 387,948
Net Change in Fund Balances	\$ (11,142)	\$ (514,630)	\$ (150,473)	\$ (41,494)	\$ 0	\$ (211,164)	\$ (928,903)
Fund Balance, July 1, 2013	1,042,649	550,630	1,241,903	1,794,658	0	364,625	4,994,465
Fund Balance, June 30, 2014	\$ 1,031,507	\$ 36,000	\$ 1,091,430	\$ 1,753,164	\$ 0	\$ 153,461	\$ 4,065,562

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, 2014

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)		\$ (928,903)
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 2,468,098	
Less: current-year depreciation expense	<u>(485,106)</u>	1,982,992
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 639,780	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(933,742)</u>	(293,962)
<p>(3) The issuance of long-term debt (e.g., notes, bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Less: note proceeds	\$ (462,000)	
Less: other loan proceeds	(1,213,620)	
Add: principal payments on notes	264,482	
Add: principal payments on other loans	518,000	
Add: principal payments on bonds	<u>25,626</u>	(867,512)
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in accrued interest payable	\$ (12,355)	
Change in compensated absences payable	3,305	
Change in landfill closure/postclosure care costs	<u>(8,912)</u>	(17,962)
Change in net position of governmental activities (Exhibit B)		<u>\$ (125,347)</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,574,692	\$ 2,584,731	\$ 2,554,731	\$ 19,961
Licenses and Permits	2,953	2,500	2,500	453
Fines, Forfeitures, and Penalties	35,741	32,600	32,900	2,841
Charges for Current Services	506,150	653,300	653,300	(147,150)
Other Local Revenues	85,678	55,500	57,779	27,899
Fees Received from County Officials	261,482	248,000	248,000	13,482
State of Tennessee	453,172	505,417	734,198	(281,026)
Federal Government	147,781	7,500	11,908	135,873
Other Governments and Citizens Groups	154,565	161,281	161,281	(6,716)
Total Revenues	\$ 4,222,214	\$ 4,250,829	\$ 4,456,597	\$ (234,383)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 48,950	\$ 51,678	\$ 51,678	\$ 2,728
Board of Equalization	1,080	1,748	1,748	668
Budget and Finance Committee	1,149	5,543	5,543	4,394
Other Boards and Committees	20,866	17,114	22,414	1,548
County Mayor/Executive	143,069	151,775	151,775	8,706
County Attorney	19,313	19,788	19,788	475
Election Commission	96,097	129,899	136,314	40,217
Register of Deeds	90,337	97,238	97,238	6,901
Planning	10,811	10,965	10,965	154
Building	422	7,500	7,500	7,078
County Buildings	64,980	81,191	81,191	16,211
Other General Administration	18,572	21,000	21,000	2,428
Preservation of Records	0	1,500	1,500	1,500
<u>Finance</u>				
Central Services	16,236	16,448	16,448	212
Property Assessor's Office	92,577	95,355	95,355	2,778
Reappraisal Program	7,829	8,816	8,816	987
County Trustee's Office	111,906	118,220	118,220	6,314
County Clerk's Office	82,142	94,645	94,645	12,503
Data Processing	2,423	0	2,435	12
<u>Administration of Justice</u>				
Circuit Court	128,668	143,946	143,946	15,278
General Sessions Judge	58,632	60,047	60,047	1,415
Chancery Court	94,124	96,869	96,869	2,745
Juvenile Court	47,509	53,332	53,632	6,123
District Attorney General	2,585	2,585	2,585	0
Judicial Commissioners	13,999	14,239	14,239	240
Other Administration of Justice	0	1,096	1,096	1,096
<u>Public Safety</u>				
Sheriff's Department	445,449	490,858	493,137	47,688
Special Patrols	27,440	4,143	38,897	11,457
Drug Enforcement	2,220	3,000	3,000	780
Administration of the Sexual Offender Registry	500	2,000	2,000	1,500
Jail	470,947	507,832	507,832	36,885
Fire Prevention and Control	79,028	95,073	95,073	16,045
Rural Fire Protection	8,806	8,108	12,516	3,710

(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	\$ 187,445	\$ 205,114	\$ 205,114	\$ 17,669
County Coroner/Medical Examiner	11,928	10,000	16,000	4,072
<u>Public Health and Welfare</u>				
Local Health Center	25,921	38,110	38,409	12,488
Ambulance/Emergency Medical Services	654,691	723,642	723,642	68,951
Other Local Health Services	27,721	27,100	53,774	26,053
Regional Mental Health Center	120,558	30,479	155,479	34,921
Sanitation Education/Information	31,402	33,700	33,700	2,298
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	51,390	51,890	51,890	500
Libraries	119,724	119,664	119,666	(58)
Other Social, Cultural, and Recreational	35,900	35,400	35,900	0
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	35,834	36,094	36,094	260
Forest Service	999	1,500	1,500	501
Soil Conservation	8,865	11,811	11,811	2,946
<u>Other Operations</u>				
Tourism	19,546	51,486	49,126	29,580
Tourism-resort District	1,018	140,000	140,000	138,982
Other Economic and Community Development	67,907	91,970	91,970	24,063
Airport	200,130	165,750	202,178	2,048
Veterans' Services	19,549	19,756	19,756	207
Other Charges	48,068	45,000	52,000	3,932
Contributions to Other Agencies	1,500	2,500	2,500	1,000
Employee Benefits	141,068	62,000	160,000	18,932
Payments to Cities	10,375	7,500	10,500	125
Miscellaneous	135,713	150,336	150,336	14,623
<u>Principal on Debt</u>				
General Government	0	400,000	400,000	400,000
<u>Interest on Debt</u>				
General Government	0	12,500	0	0
<u>Capital Projects</u>				
General Administration Projects	10,060	12,000	12,000	1,940
Social, Cultural, and Recreation Projects	7,497	7,500	7,500	3
Other General Government Projects	62,000	62,000	62,000	0
Total Expenditures	\$ 4,245,475	\$ 4,968,353	\$ 5,312,287	\$ 1,066,812
Excess (Deficiency) of Revenues Over Expenditures	\$ (23,261)	\$ (717,524)	\$ (855,690)	\$ 832,429
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 62,000	\$ 462,000	\$ 462,000	\$ (400,000)
Insurance Recovery	834	0	0	834
Transfers Out	(50,715)	0	(400,000)	349,285
Total Other Financing Sources	\$ 12,119	\$ 462,000	\$ 62,000	\$ (49,881)
Net Change in Fund Balance	\$ (11,142)	\$ (255,524)	\$ (793,690)	\$ 782,548
Fund Balance, July 1, 2013	1,042,649	946,001	946,001	96,648
Fund Balance, June 30, 2014	\$ 1,031,507	\$ 690,477	\$ 152,311	\$ 879,196

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,000	\$ 0	\$ 20,000	\$ (19,000)
Federal Government	0	2,550,630	0	0
Total Revenues	\$ 1,000	\$ 2,550,630	\$ 20,000	\$ (19,000)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Local Health Services	\$ 891,459	\$ 3,550,630	\$ 1,684,059	\$ 792,600
Total Expenditures	\$ 891,459	\$ 3,550,630	\$ 1,684,059	\$ 792,600
Excess (Deficiency) of Revenues Over Expenditures	\$ (890,459)	\$ (1,000,000)	\$ (1,664,059)	\$ 773,600
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 400,000	\$ 0	\$ 435,000	\$ (35,000)
Other Loans Issued	1,213,620	0	2,486,850	(1,273,230)
Transfers In	0	1,000,000	0	0
Transfers Out	(1,237,791)	0	(1,257,791)	20,000
Total Other Financing Sources	\$ 375,829	\$ 1,000,000	\$ 1,664,059	\$ (1,288,230)
Net Change in Fund Balance	\$ (514,630)	\$ 0	\$ 0	\$ (514,630)
Fund Balance, July 1, 2013	550,630	0	0	550,630
Fund Balance, June 30, 2014	\$ 36,000	\$ 0	\$ 0	\$ 36,000

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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 12,831	\$ 0	\$ 12,831	\$ 15,130	\$ 15,130	\$ (2,299)
Fines, Forfeitures, and Penalties	600	0	600	100	100	500
Other Local Revenues	39,095	0	39,095	33,000	33,000	6,095
State of Tennessee	1,539,296	0	1,539,296	1,996,000	1,996,000	(456,704)
Federal Government	104,518	0	104,518	370,812	370,812	(266,294)
Total Revenues	\$ 1,696,340	\$ 0	\$ 1,696,340	\$ 2,415,042	\$ 2,415,042	\$ (718,702)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 155,005	\$ 0	\$ 155,005	\$ 171,135	\$ 171,135	\$ 16,130
Highway and Bridge Maintenance	842,553	0	842,553	1,389,547	1,390,247	547,694
Operation and Maintenance of Equipment	167,308	0	167,308	239,500	239,500	72,192
Other Charges	49,755	0	49,755	58,900	58,900	9,145
Employee Benefits	249,921	0	249,921	239,339	239,339	(10,582)
Capital Outlay	324,612	(129,879)	194,733	839,461	839,461	644,728
<u>Principal on Debt</u>						
Highways and Streets	49,039	0	49,039	25,500	49,039	0
Interest on Debt						
Highways and Streets	8,620	0	8,620	7,625	8,620	0
Total Expenditures	\$ 1,846,813	\$ (129,879)	\$ 1,716,934	\$ 2,971,007	\$ 2,996,241	\$ 1,279,307
Excess (Deficiency) of Revenues Over Expenditures	\$ (150,473)	\$ 129,879	\$ (20,594)	\$ (555,965)	\$ (581,199)	\$ 560,605
Net Change in Fund Balance	\$ (150,473)	\$ 129,879	\$ (20,594)	\$ (555,965)	\$ (581,199)	\$ 560,605
Fund Balance, July 1, 2013	1,241,903	(129,879)	1,112,024	1,042,408	1,042,408	69,616
Fund Balance, June 30, 2014	\$ 1,091,430	\$ 0	\$ 1,091,430	\$ 486,443	\$ 461,209	\$ 630,221

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

Exhibit D-1

Houston County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2014

	<u>Business-type Activities - Major Fund</u>
	<u>Houston County Community Hospital</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 45,057
Restricted Cash	115,184
Inventories	69,750
Accounts Receivable	2,009,442
Allowance for Uncollectibles	(650,193)
Prepaid Items	25,325
Total Current Assets	<u>\$ 1,614,565</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 214,000
Construction in Progress	39,683
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	1,121,242
Other Capital Assets	208,725
Total Noncurrent Assets	<u>\$ 1,583,650</u>
Total Assets	<u>\$ 3,198,215</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 488,371
Accrued Payroll	90,499
Cash Overdraft	111,196
Advances Payable to Other Funds	960,317
Capital Leases Payable - Current	27,878
Total Current Liabilities	<u>\$ 1,678,261</u>
Noncurrent Liabilities:	
Capital Leases Payable - Long-term	\$ 7,408
Total Noncurrent Liabilities	<u>\$ 7,408</u>
Total Liabilities	<u>\$ 1,685,669</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,548,364
Restricted for Public Health and Welfare	115,184
Unrestricted	<u>(151,002)</u>
Total Net Position	<u>\$ 1,512,546</u>

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

Exhibit D-2

Houston County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

	Business-type Activities - Major Fund
	<u>Houston County Community Hospital</u>
<u>Operating Revenues</u>	
Patient Service Revenue	\$ 14,623,250
Provision for Contractual Adjustments	(9,901,201)
Provision for Uncollectible Accounts	(653,040)
Other Operating Revenue	110,578
Total Operating Revenues	<u>\$ 4,179,587</u>
<u>Operating Expenses</u>	
Salaries and Wages	\$ 2,806,365
Professional Fees	744,286
Supplies and Other	621,523
Purchased Services	572,906
Employee Benefits	342,206
Depreciation	198,376
Utilities	157,165
Corporate Management Fees	135,000
Repairs and Maintenance	118,904
Contract Labor	101,398
Other Operating Expenses	90,348
Rent	73,206
Taxes and Insurance	51,561
Total Operating Expenses	<u>\$ 6,013,244</u>
Operating Income (Loss)	<u>\$ (1,833,657)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Grant Revenue	\$ 20,000
Interest Expense	(11,178)
Total Nonoperating Revenues (Expenses)	<u>\$ 8,822</u>
Income (Loss) Before Transfers	\$ (1,824,835)
Capital Contributions, Net	39,683
Transfers In	1,288,506
Change in Net Position	<u>\$ (496,646)</u>
Net Position, July 1, 2013	<u>2,009,192</u>
Net Position, June 30, 2014	<u><u>\$ 1,512,546</u></u>

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

Exhibit D-3

Houston County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

	<u>Business-type Activities - Major Fund Houston County Community Hospital</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from and on Behalf of Patients	\$ 3,275,258
Payments to Suppliers and Contractors	(1,248,736)
Payments to Employees	(3,086,561)
Other Receipts and Payments	34,109
Net Cash Provided By (Used In) Operating Activities	<u>\$ (1,025,930)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Interest Paid on Capital Lease Obligations	\$ (11,178)
Purchase of Capital Assets	(204,609)
Payments of Capital Lease Obligations	(65,914)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (281,701)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants	\$ 20,000
Transfers from Other Funds	1,288,506
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 1,308,506</u>
Net Increase (Decrease) in Cash	\$ 875
Cash, July 1, 2013	<u>44,182</u>
Cash, June 30, 2014	<u><u>\$ 45,057</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (1,833,657)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	198,376
Provision for Bad Debts	653,040
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(1,446,791)
(Increase) Decrease in Inventories	16,507
(Increase) Decrease in Restricted Cash	(115,184)

(Continued)

Exhibit D-3

Houston County, Tennessee
Statement of Cash Flows
Proprietary Fund (Cont.)

	Business-type Activities - Major Fund
	<u>Houston County Community Hospital</u>
<u>Provided By (Used In) Operating Activities (Cont.)</u>	
(Increase) Decrease in Prepaid Items	\$ (9,162)
(Increase) Decrease in Other Current Assets	31,370
Increase (Decrease) in Accrued Payroll	62,010
Increase (Decrease) in Accounts Payable	355,339
Increase (Decrease) in Cash Overdraft	111,196
Increase (Decrease) in Advances Payable to Other Funds	960,317
Increase (Decrease) in Other Current Liabilities	<u>(9,291)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (1,025,930)</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	<u>\$ 45,057</u>
Cash, June 30, 2014	<u>\$ 45,057</u>

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

Exhibit E

Houston County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 173,955
Due from Other Governments	<u>76,608</u>
Total Assets	<u><u>\$ 250,563</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 76,608
Due to Litigants, Heirs, and Others	<u>173,955</u>
Total Liabilities	<u><u>\$ 250,563</u></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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Houston County School Department operates the public school system in the county, and the voters of Houston County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Houston County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Houston County, and the Houston County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Houston County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Houston County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Houston County Emergency Communications District
P.O. Box 333
Erin, TN 37061

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, 2014.

Separate financial statements are provided for governmental funds, the proprietary fund (enterprise), 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.

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, the proprietary fund, 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 single columns 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.

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 (excluding the Houston County Community Hospital, enterprise fund) 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 (excluding the Houston County Community Hospital, enterprise fund) 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 that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances and long-term loans/notes receivable between funds, as reported in the General Debt Service Fund financial statements, are included in restricted fund balance.

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.36 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 and business-type activities columns in the government-wide financial statements. Capital assets are defined by the government (excluding the Houston County Community Hospital, enterprise fund) 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 (excluding the Houston County Community Hospital, enterprise fund) 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 and excluding the Houston County Community Hospital, 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 and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type 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 and the proprietary fund type in the fund financial statements, equity is classified as net position and displayed in three 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. 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.
- c. 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 \$2,767,291 of governmental activities restricted net position, of which \$205,869 is restricted by enabling legislation.

As of June 30, 2014, Houston County had \$6,925,151 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 J-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 J-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

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Budget and Finance Committee, 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, 2014, the Houston County School Department reported the following significant encumbrances:

Fund	Description	Amount
School Department:		
Major Fund:		
General Purpose School	School Construction	\$ 547,330
"	Buses	97,132

B. Cash Shortage

The Office of Director of Schools had a cash shortage of \$4,453.33. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Libraries major appropriation category (the legal level of control) of the General Fund and in the Employee Benefits major appropriation category of the Highway/Public Works Fund by \$58 and \$10,582, respectively. Also, the Transfers Out major appropriation category exceeded appropriations by \$100,000 in the School Department's General Purpose School Fund. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

D. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated funding by \$4,094.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Houston County (excluding the Houston County Community Hospital, enterprise fund) 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, 2014.

B. Notes Receivable

During 2004-05, Houston County provided funding to the Houston County Emergency Communications District for the construction of an emergency communications tower. The district agreed to repay \$219,430 to the county over a 12-year period with an annual interest rate of 4.6 percent. This note receivable has a balance of \$85,258 at June 30, 2014, and is included in the restricted fund balance of the General Debt Service Fund.

C. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 973,624	\$ 264	\$ 0	\$ 973,888
Construction in Progress	792,758	1,571,362	(23,703)	2,340,417
Total Capital Assets Not Depreciated	\$ 1,766,382	\$ 1,571,626	\$ (23,703)	\$ 3,314,305
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,492,442	\$ 62,000	\$ 0	\$ 5,554,442
Infrastructure	1,827,928	159,437	0	1,987,365
Other Capital Assets	4,851,146	698,738	(48,703)	5,501,181
Total Capital Assets Depreciated	\$ 12,171,516	\$ 920,175	\$ (48,703)	\$ 13,042,988
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,224,121	\$ 131,838	\$ 0	\$ 1,355,959
Infrastructure	264,262	89,110	0	353,372
Other Capital Assets	3,804,558	264,158	(48,703)	4,020,013
Total Accumulated Depreciation	\$ 5,292,941	\$ 485,106	\$ (48,703)	\$ 5,729,344

Governmental Activities (Cont.):

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Total Capital Assets				
Depreciated, Net	\$ 6,878,575	\$ 435,069	\$ 0	\$ 7,313,644
Governmental Activities				
Capital Assets, Net	\$ 8,644,957	\$ 2,006,695	\$ (23,703)	\$ 10,627,949

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

Governmental Activities:

General Government	\$ 15,311
Finance	2,163
Administration of Justice	10,924
Public Safety	166,767
Public Health and Welfare	98,207
Social, Cultural, and Recreational Services	11,630
Agriculture and Natural Resources	1,339
Other Operations	35,614
Highway/Public Works	143,151
Total Depreciation Expense - Governmental Activities	<u>\$ 485,106</u>

Discretely Presented Houston County School Department

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	\$ 333,220	\$ 0	\$ 0	\$ 333,220
Construction in Progress	0	97,075	0	97,075
Total Capital Assets Not Depreciated	<u>\$ 333,220</u>	<u>\$ 97,075</u>	<u>\$ 0</u>	<u>\$ 430,295</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,829,501	\$ 13,282	\$ 0	\$ 13,842,783
Other Capital Assets	3,133,154	101,284	(148,555)	3,085,883
Total Capital Assets Depreciated	<u>\$ 16,962,655</u>	<u>\$ 114,566</u>	<u>\$ (148,555)</u>	<u>\$ 16,928,666</u>

Governmental Activities (Cont.):

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,706,914	\$ 304,239	\$ 0	\$ 7,011,153
Other Capital Assets	1,873,619	155,875	(148,555)	1,880,939
Total Accumulated Depreciation	<u>\$ 8,580,533</u>	<u>\$ 460,114</u>	<u>\$ (148,555)</u>	<u>\$ 8,892,092</u>
Total Capital Assets Depreciated, Net	<u>\$ 8,382,122</u>	<u>\$ (345,548)</u>	<u>\$ 0</u>	<u>\$ 8,036,574</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,715,342</u>	<u>\$ (248,473)</u>	<u>\$ 0</u>	<u>\$ 8,466,869</u>

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

Governmental Activities:

Instruction	\$ 197,084
Support Services	233,918
Operation of Non-instructional Services	<u>29,112</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 460,114</u>

D. Construction Commitments

At June 30, 2014, the county had uncompleted construction contracts of approximately \$1,032,274 for the construction of an emergency operations center. Funding for these future expenditures is expected to be received from federal grant proceeds. At June 30, 2014, the School Department had uncompleted construction contracts of approximately \$547,330 in the General Purpose School Fund for school renovations. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General Debt Service	Special Purpose	\$ 75

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

Interfund Loans to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Debt Service	Hospital	\$ 960,317

The balance of \$960,317 due to the General Debt Service Fund resulted from an advance to the Houston County Community Hospital to provide cash flow for the implementation of electronic health records.

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	\$ 131

Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In Hospital Fund</u>
General Fund	\$ 50,715
Special Purpose Fund	1,237,791
Total	<u>\$ 1,288,506</u>

Discretely Presented Typical County School Department

<u>Transfer Out</u>	<u>Transfer In Nonmajor Governmental Fund</u>
General Purpose School Fund	\$ 100,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to

finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Houston County (excluding the Houston County Community Hospital, enterprise fund) 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, 2014, 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, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	4 to 5% %	12-28-17	\$ 606,500	\$ 99,169
Capital Outlay Notes	2.45 to 4.19	7-10-23	2,435,456	1,655,329
Other Loans	variable-3.125	5-25-27	19,672,970	14,827,970

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, 2014, 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, 2014, the variable interest rate was .13 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, 2014, Houston County had drawn \$6,226,770 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, 2014, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 99,169	\$ 9,503	\$ 108,672

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 313,752	\$ 52,309	\$ 366,061
2016	465,322	41,412	506,734
2017	326,034	27,347	353,381
2018	178,027	17,073	195,100
2019	139,660	11,603	151,263
2020-2024	232,534	14,442	246,976
Total	\$ 1,655,329	\$ 164,186	\$ 1,819,515

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2015	\$ 544,000	\$ 11,091	\$ 117,030	\$ 672,121
2016	6,797,770	204,510	109,686	7,111,966
2017	600,000	9,659	101,977	711,636
2018	631,000	8,889	93,877	733,766
2019	662,000	8,078	85,359	755,437
2020-2024	3,525,200	27,459	290,927	3,843,586
2025-2027	2,068,000	5,353	57,639	2,130,992
Total	\$ 14,827,970	\$ 275,039	\$ 856,495	\$ 15,959,504

There is \$1,753,164 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$1,968, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the primary government (excluding the Houston County Community Hospital, enterprise fund) for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2013	\$ 124,795	\$ 1,457,811	\$ 14,132,350
Additions	0	462,000	1,213,620
Reductions	<u>(25,626)</u>	<u>(264,482)</u>	<u>(518,000)</u>
Balance, June 30, 2014	<u>\$ 99,169</u>	<u>\$ 1,655,329</u>	<u>\$ 14,827,970</u>
Balance Due Within One Year	<u>\$ 26,072</u>	<u>\$ 313,752</u>	<u>\$ 544,000</u>

	Landfill	
	Compensated Absences	Postclosure Care Costs
Balance, July 1, 2013	\$ 17,523	\$ 594,118
Additions	22,792	8,912
Reductions	<u>(26,097)</u>	<u>0</u>
Balance, June 30, 2014	<u>\$ 14,218</u>	<u>\$ 603,030</u>
Balance Due Within One Year	<u>\$ 710</u>	<u>\$ 60,303</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, 2014	\$ 17,199,716
Less: Balance Due Within One Year	<u>(944,837)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 16,254,879</u>

Discretely Presented Houston County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Houston County School Department for the year ended June 30, 2014, was as follows:

	<u>Other Postemployment Benefits</u>
Governmental Activities:	
Balance, July 1, 2013	\$ 301,490
Additions	43,311
Reductions	<u>(36,867)</u>
Balance, June 30, 2014	<u>\$ 307,934</u>
Balance Due Within One Year	<u>\$ 0</u>

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

G. 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 \$7,429,390 with annual requirements ranging from approximately \$475,171 in the next fiscal year to \$686,534 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 \$467,844 and \$400,000, respectively.

H. 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, 2014, were \$19,731 and \$6,712, respectively. The School

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

I. Short-term Debt

During the year, Houston County borrowed \$416,877 from the General Debt Service Fund to provide temporary operating funds for the Special Purpose Fund. These loans were retired prior to June 30, 2014, as required by state statutes, and therefore have not been reflected in the financial statements of this report. Short-term debt activity for the year ended June 30, 2014, was as follows:

	Balance 7-1-13	Issued	Paid	Balance 6-30-14
Revenue Anticipation Notes	\$ 0	\$ 416,877	(416,877) \$	0

V. OTHER INFORMATION

A. Risk Management

Primary Government (excluding the Houston County Community Hospital, enterprise fund)

Employee Health Insurance

Employees of Houston County and 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. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67 replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70 relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Events

On August 8, 2014, Houston County issued capital outlay notes totaling \$67,000 for the purchase of equipment for the Houston County Community Hospital.

On August 8, 2014, and on October 6, 2014, Houston County issued tax anticipation notes of \$396,921 and \$103,079, respectively, for the General Fund for temporary operating funds.

On August 31, 2014, Darrell Allison left the Office of Sheriff and was succeeded by Kevin Sugg, and Jimmy Felts left the Office of Road Superintendent and was succeeded by George Dew.

On December 9, 2014, Houston County issued capital outlay notes totaling \$158,730 for the purchase of highway equipment.

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. 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 \$603,030, reported as postclosure care liability at June 30, 2014, represents amounts based on what it would cost to perform all postclosure care in 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. 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.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their 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, 2014, 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, 2014, 2013, and 2012, were \$476,460, \$465,675, and \$468,971, respectively, equal to the required contributions for each year.

H. Other Postemployment Benefits (OPEB)

Plan Description

The Houston County School Department participates in the state-administered Local Education Group Insurance Plan for health care 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 health care 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, 2014, the Houston County School Department contributed \$36,867 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<u>Plan</u>
ARC	\$ 43,000
Interest on the NOPEBO	12,060
Adjustment to the ARC	<u>(11,749)</u>
Annual OPEB cost	\$ 43,311
Less: Amount of contribution	<u>(36,867)</u>
Increase/decrease in NOPEBO	\$ 6,444
Net OPEB obligation, 7-1-13	<u>301,490</u>
Net OPEB obligation, 6-30-14	<u><u>\$ 307,934</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 107,628	30%	\$ 226,860
6-30-13	"	108,442	31	301,490
6-30-14	"	43,311	85	307,934

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 409,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 409,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,945,386
UAAL as a % of covered payroll	14%

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, 2013, 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 health care cost trend rate of 7.5 percent for fiscal year 2014. The trend will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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 July 1, 2007.

I. Purchasing Laws

Office of County Mayor

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, govern purchasing procedures for the general county government. These statutes provide for purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

Chapter 366, Private Acts of 1945, as amended, and Section 54-7-113, *TCA* (Uniform Road Law), govern purchasing procedures for the Highway Department. These statutes provide for a Highway Commission, which includes the county mayor (who serves as chairman), the road superintendent, and three members of the County Commission. The Highway Commission is required to authorize all purchases exceeding \$500 and to solicit competitive bids on all purchases exceeding \$10,000.

Office of Director of Schools

Purchasing procedures for the discretely presented Houston County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

VI. OTHER NOTES – HOUSTON COUNTY COMMUNITY HOSPITAL (ENTERPRISE FUND)

A. Nature of Operations and Basis of Presentation

The Houston County Community Hospital is an acute care hospital that provides inpatient, outpatient, and emergency services primarily for the residents of Houston County, Tennessee, and the surrounding areas. Houston County Community Hospital is currently licensed to provide 25 patient beds. The hospital was established by the county as a special purpose government entity under the laws of the State of Tennessee. The hospital is owned by the county and governed by a Board of Trustees appointed by the County Commission. Because of the relationship between the hospital and the county, the hospital is an enterprise fund of the county.

B. Summary of Significant Accounting Policies

1. Budgetary Information

The hospital is required by a statute of the State of Tennessee to prepare a non-appropriated annual budget. The budget is not subject to appropriation and is therefore not required to be presented as supplementary information.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The most critical estimates relate to revenue recognition, the collectability of accounts receivable and related reserves, and obligations under the insurance programs, which include worker's compensation, professional liability, property and general liability and employee health and welfare insurance programs.

3. Enterprise Fund Accounting

The hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

4. Cash and Cash Equivalents

Cash and cash equivalents include investment in highly liquid instruments with an original maturity at purchase date of three months or less. The hospital does not have a policy restricting the type of deposits allowed.

5. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the hospital's deposits may not be returned to it. The hospital does not have a deposit policy for custodial credit risk; however Tennessee state law requires that balances in excess of federally insured amounts be collateralized. At June 30, 2014, there were no cash balances in excess of FDIC limits.

6. Inventory

Inventories are stated at the lower of cost or market based on the average cost method.

7. Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

8. Capital Assets

Capital asset acquisitions are recorded at cost, if purchased. The hospital has set a capitalization threshold of \$1,000. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Assets under capital lease obligations are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset, and are amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the assets. Such amortization is included in depreciation in the financial statements.

Assets	Estimated Useful Life Years
Buildings	20
Software	5
Fixed Equipment	10
Major Moveable Equipment	1 - 5

9. Estimated Malpractice Costs

The hospital considers the need for recording a liability for malpractice claims. When determined to be necessary, the provision for estimated malpractice claims and the cost associated with litigation and settlement includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

10. Compensated Absences

Hospital employees are granted paid time off (PTO). PTO combines vacation, sick, and holiday time. All full-time employees accrue PTO at the same amount as stated in the personnel policy manual. The accumulated time is payable in full upon termination if employed for at least 90 days.

11. Net Position

Net position consists of net investment in capital assets (property and equipment), net of related debt, restricted, and unrestricted. Net investment in capital assets, net of related debt, consists of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Restricted net position is those assets that are externally restricted by creditors, grantors, contributors, or laws and regulations or those restricted by constitutional provisions and enabling legislations. Unrestricted net position consists of all other assets. When both restricted and unrestricted resources are available, it is the hospital's policy to use the restricted resources before using the unrestricted resources.

12. Net Patient Service Revenue

The hospital has agreements with third-party payers that provide for payments to the hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The primary third-party programs include Medicare and Medicaid, which account for a significant portion of the hospital's revenues. The laws and regulations under which Medicare and Medicaid programs operate are extremely complex and subject to interpretation and frequent changes. As part of operating under these programs, there is a possibility that government authorities may review the hospital's compliance with these laws and regulations. Such review may result in adjustments to program reimbursement previously received and subject the hospital to fines and penalties. Although no assurance can be given, management believes it has complied with the requirements of these programs.

13. Medicare and Medicaid EHR Incentives

The American Recovery and Reinvestment Act of 2009 provides for incentive payments for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record (EHR) technology. The hospital recognizes income related to incentive payments using a gain contingency model that is based upon when the

hospital has demonstrated meaningful use of certified EHR technology for the applicable period and the cost report information for the full cost report year that will determine if the final calculation of the incentive payment is available.

For the year ended June 30, 2014, the hospital attested it had met the requirements for reimbursement according to the provisions set forth in the Medicare and Medicaid EHR incentive program. However, there were no incentive amounts recognized in income for the year ended June 30, 2014, in the accompanying Statement of Revenue, Expenses and Changes in Net Position, as the reimbursement amount is still to be determined.

14. Financial Assistance

The hospital provides care without charge or at a reduced charge, to patients who meet certain criteria under its financial assistance policy. Because the hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue.

15. Income Taxes

Houston County Community Hospital is a governmental entity, and as such, is exempt from federal and state income taxes.

16. Operating Revenues and Expenses

The hospital's Statement of Revenues, Expenses, and Changes in Net Position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the hospital's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

17. Postemployment Benefits Other Than Pensions

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, addresses how state and local governments should account for and report costs and obligations related to postemployment benefits other than pensions. GASB Statement No. 45 has no effect on the June 30, 2014, financial statements of the hospital, as the hospital does not offer its employees any qualifying postemployment benefits.

C. Patient Accounts Receivable

Patient accounts receivable, reported as assets by the hospital at June 30, 2014, consisted of these amounts:

Receivable from Medicare	\$ 1,738,699
Receivable from Medicaid	348,092
Receivable from Insurance Carriers	1,317,697
Patient Receivables	<u>836,360</u>
Total Patient Accounts Receivable	\$ 4,240,848
Less: Allowance for Contractuals	(2,273,604)
Less: Allowance for Bad Debt	<u>(650,193)</u>
Patient Accounts Receivable, Net	<u><u>\$ 1,317,051</u></u>

D. Property, Plant, and Equipment

A summary of property, plant, and equipment is as follows:

Land	\$ 214,000
Construction in Progress	39,683
Buildings	1,195,991
Software	55,865
Fixed Equipment	27,311
Major Moveable Equipment	<u>305,731</u>
	\$ 1,838,581
Less: Accumulated Depreciation	<u>(254,931)</u>
Property, Plant, and Equipment, Net	<u><u>\$ 1,583,650</u></u>

Depreciation expense for the year ended June 30, 2014 totaled \$198,376.

At June 30, 2014, the hospital had uncompleted construction in progress of \$39,683. The remaining cost on this construction in progress is estimated to be approximately \$255,000.

Capital assets activity for the year ended June 30, 2014, is as follows:

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 0	\$ 39,683	\$ 39,683
Land	214,000	0	214,000
Total Capital Assets Not Being Depreciated	\$ 214,000	\$ 39,683	\$ 253,683
Other Capital Assets:			
Buildings	\$ 1,195,991	\$ 0	\$ 1,195,991
Software	0	55,865	55,865
Fixed Equipment	12,853	14,458	27,311
Major Moveable Equipment	171,446	134,286	305,732
Total Other Assets	\$ 1,380,290	\$ 204,609	\$ 1,584,899
Less Accumulated Depreciation:			
Buildings	\$ 14,950	\$ 59,799	\$ 74,749
Software	0	2,793	2,793
Fixed Equipment	107	2,375	2,482
Major Moveable Equipment	41,499	133,409	174,908
Total	\$ 56,556	\$ 198,376	\$ 254,932
Depreciable Assets, Net	\$ 1,323,734	\$ 6,233	\$ 1,329,967
Total Capital Assets, Net	\$ 1,537,734	\$ 45,916	\$ 1,583,650

E. Capital Lease Obligations

A summary of capital lease obligations at June 30, 2014, is as follows:

Capital Lease for Major Moveable Equipment (capitalized at fair value of \$66,500 with payments of \$2,510 per month expiring in September 2015)	\$ 35,286
Less: Current Maturities	<u>(27,878)</u>
Total Capital Lease Obligations	<u><u>\$ 7,408</u></u>

Capital lease obligations activity was as follows:

	Beginning Balance	Reductions	Ending Balance	Amount Due Within One Year
Capital Leases	\$ 101,200	\$ (65,914)	\$ 35,286	\$ 27,878

Aggregate annual maturities of the payments on the capital lease obligations at June 30, 2014, are as follows:

Year Ending June 30	Lease Payments
2015	\$ 30,120
2016	7,530
Total Lease Payments	<u>\$ 37,650</u>
Less: Amount Representing Interest	<u>(2,364)</u>
Present Value of Minimum Lease Payments	\$ 35,286
Less: Current Maturities	<u>(27,878)</u>
Noncurrent Portion	<u><u>\$ 7,408</u></u>

The following is an analysis of the major moveable equipment under capital lease at June 30, 2014:

Major Moveable Equipment	\$ 117,990
Less: Accumulated Depreciation	<u>(117,990)</u>
Net Equipment Under Capital Lease	<u><u>\$ 0</u></u>

F. Insurance Programs

Risk Management

The hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets, business interruption; errors and omissions, employee injuries and illnesses, natural disasters, and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in 2014. The hospital also carries insurance for medical malpractice claims and judgments.

Medical Malpractice Insurance

The hospital purchases professional and general liability insurance to cover medical malpractice claims. The future assertion of claims for occurrences prior to year end is reasonably possible and may occur, although not anticipated. In any event, management believes that any such claims would be substantially covered under its insurance program.

The Tennessee Governmental Tort Liability Act provides a cap on the amount of damages recoverable against government entities, including hospitals. For claims arising from events occurring on or after July 1, 2007, the amount recoverable in any one incident is limited to \$700,000.

G. Net Position

Capital Assets	\$ 1,838,581
Less: Accumulated Depreciation	(254,931)
Less: Debt Outstanding Related to Capital Assets	<u>(35,286)</u>
Invested in Capital Assets, Net of Related Debt	<u><u>\$ 1,548,364</u></u>

Restricted net position represents cash that is restricted for the purposes of relieving the hospital of the financial burden associated with the implementation of electronic health records and lease payments for the software. As such, the hospital cannot use these funds for any other purpose. Any unused funds must be returned to the county, when the hospital is able to provide for the lease payments on its own.

H. Net Patient Service Revenue

A summary of the payment arrangements with major third-party payers follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries will be paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicare beneficiaries will be reimbursed based upon a prospective payment system commonly known as APC (Ambulatory Payment Classification). Effective July 3, 2013, the hospital received its Medicare billing number. The hospital may be reimbursed for cost-reimbursable items including Medicare bad debts and disproportionate share payments at a tentative rate, with final settlement determined after submission of annual cost reports. The hospital filed a cost report as of December 31, 2013, and it is still subject to a review and final audit.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries were reimbursed upon a cost-based methodology established by the State of Tennessee through its TennCare program. The hospital was reimbursed at a tentative rate, which is adjusted annually based on the annual cost reports as submitted by the hospital and audits by the Medicaid fiscal intermediary.

The percentage of the hospital's gross patient revenue from Medicare and Medicaid programs are as follows:

Medicare Programs	52 %
Medicaid Programs	<u>11</u>
Total	<u><u>63 %</u></u>

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

Other - The hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospital under these agreements includes prospectively determined rates and discounts from established charges.

A summary of net patient service revenue follows:

Gross Patient Service Revenue	\$ 14,623,250
Less:	
Provision for Contractual Adjustments	(9,901,201)
Bad Debts	<u>(653,040)</u>
Invested in Capital Assets, Net of Related Debt	<u><u>\$ 4,069,009</u></u>

I. Financial Assistance

There were \$4,564 in charges foregone for services and supplies furnished under the hospital's financial assistance policy for the year ended June 30, 2014.

J. Concentration of Credit Risk

The hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The percentage mix of gross accounts receivables from patients and major third-party payers at June 30, 2014, was as follows:

Medicare	41 %
Medicaid	8
Blue Cross	13
Commercial	18
Uninsured	<u>20</u>
Total	<u><u>100 %</u></u>

K. Patient Service Revenue Under Contract

A summary of gross revenue from patient services provided under contract with third-party payers and to uninsured patients follows:

Medicare	52 %
Medicaid	11
Blue Cross	11
Commercial	17
Uninsured	<u>9</u>
Total	<u><u>100 %</u></u>

L. Commitments and Contingencies

Operating Lease and Service Agreements

The hospital leases equipment and services under various operating leases and services agreements. Total rent expense for the year ended June 30, 2014, for all operating leases and service agreements was \$189,545, with \$116,339 included in purchased services and \$73,206 in rent in the Statement of Revenues, Expenses, and Changes in Net Position.

The following is a schedule by year of expiration of approximate future minimum lease payments under noncancelable operating leases as of June 30, 2014, that have initial or remaining lease terms in excess of one year.

<u>Year</u>	<u>Amount</u>
2015	\$ 337,035
2016	307,409
2017	299,560
2018	294,864
2019	<u>188,089</u>
Total	<u><u>\$ 1,426,957</u></u>

M. Future Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Items previously reported as assets and liabilities
- Accounting and financial reporting for pensions
- Mergers, acquisitions, and transfers of operations
- Financial guarantees

The hospital is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

N. Related-party Transactions

The hospital is owned by the Houston County, Tennessee, government and is a separately reported fund of the county. The hospital is operated for the benefits of its residents and those of the surrounding counties. During the year ended June 30, 2014, the county transferred funds totaling \$1,288,506 to the hospital to meet working capital needs. The county also contributed \$39,683 in Construction in Progress related to improvements made to the hospital's facility. The county also advanced the hospital \$960,317 for the implementation of electronic health records (EHR). This advance must be repaid once the hospital receives its reimbursement from the Centers for Medicare and Medicaid Services. Subsequent to June 30, 2014, the county approved a property tax increase and appropriated \$700,000 in funds that are to be contributed to the hospital over the next fiscal year.

O. Subsequent Event

The construction in progress in Note VI.D., pertaining to improvements being made to the hospital's facility at June 30, 2014, was completed and placed into service in September 2014.

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

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

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

2. Measurement Focus/Basis of Accounting

The accounting policy of the district conforms to generally accepted accounting principles applicable to governments as defined in the statements of the Governmental Accounting Standards Board (GASB).

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

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

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

3. Property and Equipment

Property and equipment are recorded at historical cost for assets purchased over \$500. Maintenance repairs and minor renewals are expensed as incurred. Depreciation has been provided over the estimated useful lives of the capital assets by the straight-line method. The estimated useful lives are as follows:

	<u>Method</u>	<u>Estimated Useful Life Years</u>	<u>2014 Depreciation</u>
Buildings and Improvements	S/L	5-40	\$ 1,082
Communications Equipment	"	5-10	64,467
Furniture and Fixtures	"	5-10	1,424
Office Equipment	"	5	0
Other Equipment	"	10	0
Vehicles	"	5	<u>3,985</u>
Total			<u>\$ 70,958</u>

4. Major Sources of Revenue

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

B. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The following is a schedule of bank accounts at June 30, 2014:

Checking - Traditions First Bank	\$	143,295
Certificates of Deposit - Traditions First Bank		242,972
Certificates of Deposit - Heritage Bank		<u>101,778</u>
Total Deposits	\$	<u>488,045</u>

At June 30, 2014, the carrying amount of the Houston County Emergency Communications District's cash deposits was \$488,045. The district's deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation, leaving \$136,266 in uninsured and uncollateralized deposits. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *Tennessee Code Annotated*.

C. Bonding and Insurance

Houston County carries insurance for various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters, which also covers the district. There have been no claims or losses from the above risks in the past three years, and there has been no significant reduction in the limits of coverage.

D. Capital Assets

The following is a schedule of capital assets at June 30, 2014:

Assets	Cost	Accumulated Depreciation	Net
Buildings and Improvements	\$ 28,371	\$ (8,580)	\$ 19,791
Communications Equipment	817,034	(477,633)	339,401
Furniture and Fixtures	6,598	(5,002)	1,596
Office Equipment	670	(670)	0
Other Equipment	12,425	(12,425)	0
Vehicle	19,923	(10,958)	8,965
Total Assets	<u>\$ 885,021</u>	<u>\$ (515,268)</u>	<u>\$ 369,753</u>

Assets	Balance 7-1-13	Additions	Retirements	Balance 6-30-14
Buildings and Improvements	\$ 28,371	\$ 0	\$ 0	\$ 28,371
Communications Equipment	617,565	199,469	0	817,034
Furniture and Fixtures	6,598	0	0	6,598
Office Equipment	670	0	0	670
Other Equipment	12,425	0	0	12,425
Vehicle	19,923	0	0	19,923
Total Assets	\$ 685,552	\$ 199,469	\$ 0	\$ 885,021

E. Accounts Receivable/Due from State

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

Peoples Telephone Co-op	\$ 5,785
Various Telephone Co-ops	260
Subtotal	\$ 6,045
State of Tennessee Emergency Communications Board	3,653
Total	\$ 9,698

F. Compensated Absences

There were no compensated absences at June 30, 2014.

G. Net Investment in Capital Assets

Total Noncurrent Assets	\$ 369,753
Current and Noncurrent Debt	(85,258)
Net Investment in Capital Assets	\$ 284,495

H. Budgetary Information

The district is required by Section 7-86-120, *Tennessee Code Annotated*, to adopt a budget. The budget is prepared on the accrual basis of accounting. Compliance with the adopted budget is required at the line-item level.

I. Occupancy In-kind

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

J. Notes Payable

The district constructed a block building, tower, and acquired various emergency services equipment. The projects were completed and placed in service during the year ended June 30, 2007. These projects were financed through an advance (approximately \$219,430) from Houston County. The advance is to be paid to the county at a term of \$2,000 per month beginning in July 2006, for a period of 12 years with an annual interest rate of 4.6 percent. Interest expense totaling \$8,132 during the construction phase was capitalized as part of the overall costs of the communications equipment. The outstanding balance at June 30, 2014, was \$85,258. Future payments of the advance are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 20,507	\$ 3,493	\$ 24,000
2016	21,470	2,530	24,000
2017	22,479	1,521	24,000
2018	20,802	467	21,269
Total	<u>\$ 85,258</u>	<u>\$ 8,011</u>	<u>\$ 93,269</u>

A schedule of changes in notes payable is as follows:

	<u>Balance 7-1-13</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6-30-14</u>
County Advance	\$ 104,845	\$ 0	\$ (19,587)	\$ 85,258
Total	<u>\$ 104,845</u>	<u>\$ 0</u>	<u>\$ (19,587)</u>	<u>\$ 85,258</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F

Houston County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Houston County School Department
June 30, 2014

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) 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	7-1-10	\$ 0	\$ 744	\$ 744	0%	\$ 2,742	27%
"	7-1-11	0	985	985	0	2,668	37
"	7-1-13	0	409	409	0	2,945	14

HOUSTON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

**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 of deeds, 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 G-1

Houston County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds				Capital
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Projects Funds
\$	0 \$	0 \$	4,840 \$	4,840 \$	0
	89,852	33,664	0	123,516	0
	0	0	20	20	0
	5,876	0	0	5,876	164,032
	163,674	0	0	163,674	0
	(7,446)	0	0	(7,446)	0
\$	251,956 \$	33,664 \$	4,860 \$	290,480 \$	164,032

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

Payroll Deductions Payable	
Contracts Payable	
Retainage Payable	
Due to State of Tennessee	
Total Liabilities	

DEFERRED INFLOWS OF RESOURCES

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

(Continued)

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

	Special Revenue Funds				Capital
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Projects Funds
\$	0 \$	33,664 \$	0 \$	33,664 \$	0
	0	0	0	0	0
	0	0	230	230	0
	0	0	4,630	4,630	0
	91,176	0	0	91,176	0
\$	91,176 \$	33,664 \$	4,860 \$	129,700 \$	0
\$	251,956 \$	33,664 \$	4,860 \$	290,480 \$	164,032

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

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

<u>Capital Projects Funds (Cont.)</u>		Total Nonmajor Governmental Funds
Other Capital Projects	Total	
\$ 0 \$	0 \$	4,840
59,102	59,102	182,618
0	0	20
0	164,032	169,908
0	0	163,674
0	0	(7,446)
<u>\$ 59,102 \$</u>	<u>223,134 \$</u>	<u>513,614</u>

ASSETS

Cash	4,840
Equity in Pooled Cash and Investments	182,618
Accounts Receivable	20
Due from Other Governments	169,908
Property Taxes Receivable	163,674
Allowance for Uncollectible Property Taxes	(7,446)
Total Assets	513,614

LIABILITIES

Payroll Deductions Payable	102
Contracts Payable	164,032
Retainage Payable	35,341
Due to State of Tennessee	410
Total Liabilities	199,885

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	146,914
Deferred Delinquent Property Taxes	7,885
Other Deferred/Unavailable Revenue	5,469
Total Deferred Inflows of Resources	160,268

(Continued)

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

<u>Capital Projects Funds (Cont.)</u>		Total
Other	Total	Nonmajor
Capital	Projects	Governmental
Projects		Funds
\$ 0	\$ 0	\$ 33,664
23,761	23,761	23,761
0	0	230
0	0	4,630
0	0	91,176
<u>\$ 23,761</u>	<u>\$ 23,761</u>	<u>\$ 153,461</u>
<u>\$ 59,102</u>	<u>\$ 223,134</u>	<u>\$ 513,614</u>

FUND BALANCES

Restricted:	
Restricted for Public Safety	33,664
Restricted for Capital Outlay	23,761
Committed:	
Committed for General Government	230
Committed for Finance	4,630
Committed for Public Health and Welfare	91,176
Total Fund Balances	153,461
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	513,614

Exhibit G-2

Houston County, Tennessee
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	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	\$ 170,454	\$ 0	\$ 0	\$ 170,454	\$ 0	\$ 0	\$ 0	\$ 170,454
Fines, Forfeitures, and Penalties	0	1,131	0	1,131	0	0	0	1,131
Charges for Current Services	1,164	0	66,012	67,176	0	0	0	67,176
Other Local Revenues	4,979	4,625	0	9,604	0	0	0	9,604
State of Tennessee	44,465	0	0	44,465	0	0	0	44,465
Federal Government	0	550	0	550	789,626	116,113	905,739	906,289
Total Revenues	\$ 221,062	\$ 6,306	\$ 66,012	\$ 293,380	\$ 789,626	\$ 116,113	\$ 905,739	\$ 1,199,119
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 62,764	\$ 62,764	\$ 0	\$ 0	\$ 0	\$ 62,764
Administration of Justice	0	0	4,795	4,795	0	0	0	4,795
Public Safety	0	119,893	0	119,893	0	0	0	119,893
Public Health and Welfare	300,346	0	0	300,346	0	0	0	300,346
Other Operations	9,148	0	0	9,148	789,626	0	789,626	798,774
Capital Projects	0	0	0	0	0	123,711	123,711	123,711
Total Expenditures	\$ 309,494	\$ 119,893	\$ 67,559	\$ 496,946	\$ 789,626	\$ 123,711	\$ 913,337	\$ 1,410,283
Excess (Deficiency) of Revenues Over Expenditures	\$ (88,432)	\$ (113,587)	\$ (1,547)	\$ (203,566)	\$ 0	\$ (7,598)	\$ (7,598)	\$ (211,164)
Net Change in Fund Balances Fund Balance, July 1, 2013	\$ (88,432)	\$ (113,587)	\$ (1,547)	\$ (203,566)	\$ 0	\$ (7,598)	\$ (7,598)	\$ (211,164)
Fund Balance, June 30, 2014	\$ 179,608	\$ 147,251	\$ 6,407	\$ 333,266	\$ 0	\$ 31,359	\$ 31,359	\$ 364,625
	\$ 91,176	\$ 33,664	\$ 4,860	\$ 129,700	\$ 0	\$ 23,761	\$ 23,761	\$ 153,461

Exhibit G-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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 170,454	\$ 235,500	\$ 169,256	\$ 1,198
Charges for Current Services	1,164	0	0	1,164
Other Local Revenues	4,979	6,000	6,000	(1,021)
State of Tennessee	44,465	56,000	56,000	(11,535)
Total Revenues	<u>\$ 221,062</u>	<u>\$ 297,500</u>	<u>\$ 231,256</u>	<u>\$ (10,194)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 291,700	\$ 303,010	\$ 309,229	\$ 17,529
Landfill Operation and Maintenance	8,646	10,000	10,000	1,354
<u>Other Operations</u>				
Other Charges	3,830	6,000	6,000	2,170
Employee Benefits	5,318	0	12,000	6,682
<u>Principal on Debt</u>				
General Government	0	150,000	150,000	150,000
<u>Interest on Debt</u>				
General Government	0	4,700	3,480	3,480
Total Expenditures	<u>\$ 309,494</u>	<u>\$ 473,710</u>	<u>\$ 490,709</u>	<u>\$ 181,215</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (88,432)</u>	<u>\$ (176,210)</u>	<u>\$ (259,453)</u>	<u>\$ 171,021</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	\$ (88,432)	\$ (26,210)	\$ (109,453)	\$ 21,021
Fund Balance, July 1, 2013	179,608	177,998	177,998	1,610
Fund Balance, June 30, 2014	<u>\$ 91,176</u>	<u>\$ 151,788</u>	<u>\$ 68,545</u>	<u>\$ 22,631</u>

Exhibit G-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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 1,131	\$ 6,300	\$ 6,300	\$ (5,169)
Other Local Revenues	4,625	0	0	4,625
Federal Government	550	0	0	550
Total Revenues	<u>\$ 6,306</u>	<u>\$ 6,300</u>	<u>\$ 6,300</u>	<u>\$ 6</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 119,893	\$ 95,000	\$ 133,000	\$ 13,107
Total Expenditures	<u>\$ 119,893</u>	<u>\$ 95,000</u>	<u>\$ 133,000</u>	<u>\$ 13,107</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (113,587)</u>	<u>\$ (88,700)</u>	<u>\$ (126,700)</u>	<u>\$ 13,113</u>
Net Change in Fund Balance	\$ (113,587)	\$ (88,700)	\$ (126,700)	\$ 13,113
Fund Balance, July 1, 2013	<u>147,251</u>	<u>122,606</u>	<u>122,606</u>	<u>24,645</u>
Fund Balance, June 30, 2014	<u>\$ 33,664</u>	<u>\$ 33,906</u>	<u>\$ (4,094)</u>	<u>\$ 37,758</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 H

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 352,295	\$ 330,000	\$ 329,600	\$ 22,695
Charges for Current Services	0	400,000	0	0
State of Tennessee	81,400	64,000	64,000	17,400
Other Governments and Citizens Groups	476,882	31,500	496,469	(19,587)
Total Revenues	<u>\$ 910,577</u>	<u>\$ 825,500</u>	<u>\$ 890,069</u>	<u>\$ 20,508</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 345,513	\$ 200,701	\$ 416,368	\$ 70,855
Education	413,556	660,000	500,000	86,444
<u>Interest on Debt</u>				
General Government	66,060	44,200	103,286	37,226
Education	119,257	465,000	429,634	310,377
<u>Other Debt Service</u>				
General Government	7,685	12,000	12,000	4,315
Total Expenditures	<u>\$ 952,071</u>	<u>\$ 1,381,901</u>	<u>\$ 1,461,288</u>	<u>\$ 509,217</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (41,494)</u>	<u>\$ (556,401)</u>	<u>\$ (571,219)</u>	<u>\$ 529,725</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 0	\$ 70,000	\$ 5,031	\$ (5,031)
Transfers Out	0	(1,000,000)	(1,000,000)	1,000,000
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ (930,000)</u>	<u>\$ (994,969)</u>	<u>\$ 994,969</u>
Net Change in Fund Balance Fund Balance, July 1, 2013	<u>\$ (41,494)</u> <u>1,794,658</u>	<u>\$ (1,486,401)</u> <u>1,665,208</u>	<u>\$ (1,566,188)</u> <u>1,665,208</u>	<u>\$ 1,524,694</u> <u>129,450</u>
Fund Balance, June 30, 2014	<u>\$ 1,753,164</u>	<u>\$ 178,807</u>	<u>\$ 99,020</u>	<u>\$ 1,654,144</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk; circuit, general sessions, and juvenile courts clerk; clerk and master; register of deeds; and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit I-1

Houston County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 173,955	\$ 173,955
Due from Other Governments	76,608	0	76,608
Total Assets	<u>\$ 76,608</u>	<u>\$ 173,955</u>	<u>\$ 250,563</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 76,608	\$ 0	\$ 76,608
Due to Litigants, Heirs, and Others	0	173,955	173,955
Total Liabilities	<u>\$ 76,608</u>	<u>\$ 173,955</u>	<u>\$ 250,563</u>

Exhibit I-2

Houston County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 440,478	\$ 440,478	\$ 0
Due from Other Governments	74,140	76,608	74,140	76,608
Total Assets	\$ 74,140	\$ 517,086	\$ 514,618	\$ 76,608
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 74,140	\$ 517,086	\$ 514,618	\$ 76,608
Total Liabilities	\$ 74,140	\$ 517,086	\$ 514,618	\$ 76,608
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 208,667	\$ 1,420,817	\$ 1,455,529	\$ 173,955
Total Assets	\$ 208,667	\$ 1,420,817	\$ 1,455,529	\$ 173,955
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 208,667	\$ 1,420,817	\$ 1,455,529	\$ 173,955
Total Liabilities	\$ 208,667	\$ 1,420,817	\$ 1,455,529	\$ 173,955
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 208,667	\$ 1,420,817	\$ 1,455,529	\$ 173,955
Equity in Pooled Cash and Investments	0	440,478	440,478	0
Due from Other Governments	74,140	76,608	74,140	76,608
Total Assets	\$ 282,807	\$ 1,937,903	\$ 1,970,147	\$ 250,563
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 74,140	\$ 517,086	\$ 514,618	\$ 76,608
Due to Litigants, Heirs, and Others	208,667	1,420,817	1,455,529	173,955
Total Liabilities	\$ 282,807	\$ 1,937,903	\$ 1,970,147	\$ 250,563

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 J-1

Houston County, Tennessee
Statement of Activities
Discretely Presented Houston County School Department
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 6,787,035	\$ 5,800	\$ 684,471	\$ (6,096,764)
Support Services	3,852,050	16,866	291,574	(3,543,610)
Operation of Non-instructional Services	1,200,422	319,855	802,582	(77,985)
Other Debt Service	464,969	0	0	(464,969)
Total Governmental Activities	\$ 12,304,476	\$ 342,521	\$ 1,778,627	\$ (10,183,328)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 662,296
Local Option Sales Taxes				545,546
Other Local Taxes				35,094
Grants and Contributions Not Restricted to Specific Programs				8,333,128
Unrestricted Investment Income				41,493
Miscellaneous				39,114
Total General Revenues				\$ 9,656,671
Change in Net Position				\$ (526,657)
Net Position, July 1, 2013				13,932,328
Net Position, June 30, 2014				\$ 13,405,671

Exhibit J-2

Houston County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Houston County School Department
June 30, 2014

	<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	\$ 4,827,030	\$ 289,797	\$ 5,116,827
Due from Other Governments	307,781	73,161	380,942
Property Taxes Receivable	552,266	0	552,266
Allowance for Uncollectible Property Taxes	(27,638)	0	(27,638)
Accrued Interest Receivable	20,641	1,086	21,727
Cash Shortage	2,870	0	2,870
Total Assets	<u>\$ 5,682,950</u>	<u>\$ 364,044</u>	<u>\$ 6,046,994</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 70,860	\$ 18,677	\$ 89,537
Payroll Deductions Payable	194,111	29,955	224,066
Total Liabilities	<u>\$ 264,971</u>	<u>\$ 48,632</u>	<u>\$ 313,603</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 486,655	\$ 0	\$ 486,655
Deferred Delinquent Property Taxes	32,149	0	32,149
Other Deferred/Unavailable Revenue	66,930	979	67,909
Total Deferred Inflows of Resources	<u>\$ 585,734</u>	<u>\$ 979</u>	<u>\$ 586,713</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 5,928	\$ 0	\$ 5,928
Restricted for Operation of Non-instructional Services	0	214,433	214,433
Assigned:			
Assigned for Education	731,022	100,000	831,022
Unassigned	4,095,295	0	4,095,295
Total Fund Balances	<u>\$ 4,832,245</u>	<u>\$ 314,433</u>	<u>\$ 5,146,678</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,682,950</u>	<u>\$ 364,044</u>	<u>\$ 6,046,994</u>

Exhibit J-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, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 5,146,678
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 333,220	
Add: construction in progress	97,075	
Add: buildings and improvements net of accumulated depreciation	6,831,630	
Add: other capital assets net of accumulated depreciation	<u>1,204,944</u>	8,466,869
(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		(307,934)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>100,058</u>
Net position of governmental activities (Exhibit A)		<u>\$ 13,405,671</u>

Exhibit J-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, 2014

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 1,253,772	\$ 0	\$ 1,253,772
Licenses and Permits	693	0	693
Charges for Current Services	22,666	319,855	342,521
Other Local Revenues	75,227	3,920	79,147
State of Tennessee	8,670,997	748	8,671,745
Federal Government	56,232	1,370,669	1,426,901
Total Revenues	<u>\$ 10,079,587</u>	<u>\$ 1,695,192</u>	<u>\$ 11,774,779</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,509,819	\$ 829,052	\$ 6,338,871
Support Services	3,835,923	60,895	3,896,818
Operation of Non-instructional Services	363,219	827,840	1,191,059
Capital Outlay	193,659	0	193,659
Debt Service:			
Other Debt Service	464,969	0	464,969
Total Expenditures	<u>\$ 10,367,589</u>	<u>\$ 1,717,787</u>	<u>\$ 12,085,376</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (288,002)</u>	<u>\$ (22,595)</u>	<u>\$ (310,597)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 35,817	\$ 0	\$ 35,817
Transfers In	0	100,000	100,000
Transfers Out	(100,000)	0	(100,000)
Total Other Financing Sources (Uses)	<u>\$ (64,183)</u>	<u>\$ 100,000</u>	<u>\$ 35,817</u>
Net Change in Fund Balances	\$ (352,185)	\$ 77,405	\$ (274,780)
Fund Balance, July 1, 2013	<u>5,184,430</u>	<u>237,028</u>	<u>5,421,458</u>
Fund Balance, June 30, 2014	<u>\$ 4,832,245</u>	<u>\$ 314,433</u>	<u>\$ 5,146,678</u>

Exhibit J-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, 2014

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ (274,780)
(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	\$ 211,641	
Less: current-year depreciation expense	<u>(460,114)</u>	(248,473)
(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, 2014	\$ 100,058	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(97,018)</u>	3,040
(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>(6,444)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (526,657)</u>

Exhibit J-6

Houston County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Houston County School Department
June 30, 2014

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
	<hr/>		
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 72,777	\$ 217,020	\$ 289,797
Due from Other Governments	73,161	0	73,161
Accrued Interest Receivable	0	1,086	1,086
	<hr/>		
Total Assets	<u>\$ 145,938</u>	<u>\$ 218,106</u>	<u>\$ 364,044</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 15,983	\$ 2,694	\$ 18,677
Payroll Deductions Payable	29,955	0	29,955
Total Liabilities	<u>\$ 45,938</u>	<u>\$ 2,694</u>	<u>\$ 48,632</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 0	\$ 979	\$ 979
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 979</u>	<u>\$ 979</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Operation of Non-instructional Services	\$ 0	\$ 214,433	\$ 214,433
Assigned:			
Assigned for Education	100,000	0	100,000
Total Fund Balances	<u>\$ 100,000</u>	<u>\$ 214,433</u>	<u>\$ 314,433</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 145,938</u>	<u>\$ 218,106</u>	<u>\$ 364,044</u>

Exhibit J-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, 2014

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 319,855	\$ 319,855
Other Local Revenues	0	3,920	3,920
State of Tennessee	0	748	748
Federal Government	888,383	482,286	1,370,669
Total Revenues	<u>\$ 888,383</u>	<u>\$ 806,809</u>	<u>\$ 1,695,192</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 829,052	\$ 0	\$ 829,052
Support Services	60,895	0	60,895
Operation of Non-instructional Services	0	827,840	827,840
Total Expenditures	<u>\$ 889,947</u>	<u>\$ 827,840</u>	<u>\$ 1,717,787</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,564)</u>	<u>\$ (21,031)</u>	<u>\$ (22,595)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 100,000	\$ 0	\$ 100,000
Total Other Financing Sources (Uses)	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 100,000</u>
Net Change in Fund Balances	\$ 98,436	\$ (21,031)	\$ 77,405
Fund Balance, July 1, 2013	1,564	235,464	237,028
Fund Balance, June 30, 2014	<u><u>\$ 100,000</u></u>	<u><u>\$ 214,433</u></u>	<u><u>\$ 314,433</u></u>

Exhibit J-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, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 1,253,772	\$ 0	\$ 0	\$ 1,253,772	\$ 1,216,000	\$ 1,216,000	\$ 37,772
Licenses and Permits	693	0	0	693	500	500	193
Charges for Current Services	22,666	0	0	22,666	14,600	14,600	8,066
Other Local Revenues	75,227	0	0	75,227	70,200	70,200	5,027
State of Tennessee	8,670,997	0	0	8,670,997	8,467,728	8,494,171	176,826
Federal Government	56,232	0	0	56,232	100	100	56,132
Total Revenues	\$ 10,079,587	\$ 0	\$ 0	\$ 10,079,587	\$ 9,769,128	\$ 9,795,571	\$ 284,016
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,744,869	\$ 0	\$ 62,039	\$ 4,806,908	\$ 4,977,629	\$ 4,977,629	\$ 170,721
Special Education Program	526,111	0	0	526,111	629,000	629,000	102,889
Vocational Education Program	238,839	0	0	238,839	260,500	260,500	21,661
<u>Support Services</u>							
Attendance	33,663	0	0	33,663	35,400	35,400	1,737
Health Services	23,344	0	0	23,344	29,300	29,300	5,956
Other Student Support	273,309	0	0	273,309	331,500	331,500	58,191
Regular Instruction Program	558,625	0	449	559,074	589,000	589,000	29,926
Alternative Instruction Program	62,912	0	0	62,912	67,900	67,900	4,988
Special Education Program	110,713	0	0	110,713	134,000	134,000	23,287
Vocational Education Program	0	0	0	0	4,000	4,000	4,000
Other Programs	26,443	0	0	26,443	0	26,443	0
Board of Education	340,567	0	0	340,567	372,200	372,200	31,633
Director of Schools	189,141	0	0	189,141	207,500	207,500	18,359
Office of the Principal	559,035	0	0	559,035	582,000	582,000	22,965
Fiscal Services	99,502	0	898	100,400	113,800	113,800	13,400
Operation of Plant	809,287	0	0	809,287	842,400	878,150	68,863
Maintenance of Plant	177,188	0	0	177,188	206,000	206,000	28,812
Transportation	572,194	(101,284)	110,306	581,216	661,945	661,945	80,729
Central and Other	0	0	0	0	5,000	5,000	5,000

(Continued)

Exhibit J-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 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-instructional Services</u>							
Food Service	\$ 33,325	\$ 0	\$ 0	\$ 33,325	\$ 34,500	\$ 34,500	\$ 1,175
Community Services	28,998	0	0	28,998	29,611	29,611	613
Early Childhood Education	300,896	0	10,000	310,896	314,128	314,128	3,232
<u>Capital Outlay</u>							
Regular Capital Outlay	193,659	0	547,330	740,989	735,000	1,235,067	494,078
<u>Principal on Debt</u>							
Education	0	0	0	0	470,000	0	0
<u>Interest on Debt</u>							
Education	0	0	0	0	12,000	0	0
<u>Other Debt Service</u>							
Education	464,969	0	0	464,969	0	482,000	17,031
Total Expenditures	\$ 10,367,589	\$ (101,284)	\$ 731,022	\$ 10,997,327	\$ 11,644,313	\$ 12,206,573	\$ 1,209,246
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (288,002)	\$ 101,284	\$ (731,022)	\$ (917,740)	\$ (1,875,185)	\$ (2,411,002)	\$ 1,493,262
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 35,817	\$ 0	\$ 0	\$ 35,817	\$ 1,000	\$ 36,817	\$ (1,000)
Transfers Out	(100,000)	0	0	(100,000)	0	0	(100,000)
Total Other Financing Sources	\$ (64,183)	\$ 0	\$ 0	\$ (64,183)	\$ 1,000	\$ 36,817	\$ (101,000)
Net Change in Fund Balance	\$ (352,185)	\$ 101,284	\$ (731,022)	\$ (981,923)	\$ (1,874,185)	\$ (2,374,185)	\$ 1,392,262
Fund Balance, July 1, 2013	5,184,430	(101,284)	0	5,083,146	5,030,475	5,030,475	52,671
Fund Balance, June 30, 2014	\$ 4,832,245	\$ 0	\$ (731,022)	\$ 4,101,223	\$ 3,156,290	\$ 2,656,290	\$ 1,444,933

Exhibit J-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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 888,383	\$ 734,957	\$ 1,145,313	\$ (256,930)
Total Revenues	\$ 888,383	\$ 734,957	\$ 1,145,313	\$ (256,930)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 513,584	\$ 410,074	\$ 670,024	\$ 156,440
Special Education Program	300,050	273,489	306,049	5,999
Vocational Education Program	15,418	11,230	15,430	12
<u>Support Services</u>				
Other Student Support	4,170	8,561	4,361	191
Regular Instruction Program	12,121	25,079	97,596	85,475
Special Education Program	43,589	5,508	50,836	7,247
Vocational Education Program	1,015	1,015	1,015	0
Total Expenditures	\$ 889,947	\$ 734,956	\$ 1,145,311	\$ 255,364
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,564)	\$ 1	\$ 2	\$ (1,566)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Total Other Financing Sources	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Net Change in Fund Balance	\$ 98,436	\$ 1	\$ 2	\$ 98,434
Fund Balance, July 1, 2013	1,564	0	0	1,564
Fund Balance, June 30, 2014	\$ 100,000	\$ 1	\$ 2	\$ 99,998

Exhibit J-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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 319,855	\$ 349,500	\$ 349,500	\$ (29,645)
Other Local Revenues	3,920	4,500	4,500	(580)
State of Tennessee	748	1,000	1,000	(252)
Federal Government	482,286	479,000	479,000	3,286
Total Revenues	<u>\$ 806,809</u>	<u>\$ 834,000</u>	<u>\$ 834,000</u>	<u>\$ (27,191)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 827,840	\$ 834,000	\$ 834,000	\$ 6,160
Total Expenditures	<u>\$ 827,840</u>	<u>\$ 834,000</u>	<u>\$ 834,000</u>	<u>\$ 6,160</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (21,031)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (21,031)</u>
Net Change in Fund Balance	\$ (21,031)	\$ 0	\$ 0	(21,031)
Fund Balance, July 1, 2013	<u>235,464</u>	<u>0</u>	<u>0</u>	<u>235,464</u>
Fund Balance, June 30, 2014	<u><u>\$ 214,433</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 214,433</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Houston County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds
 For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-14
NOTES PAYABLE								
Payable through Highway/Public Works Fund								
Highway Equipment	\$ 255,000	3.35 %	2-27-13	3-21-23	\$ 255,000	0 \$	22,214 \$	232,786
Highway Department Trucks and Supplies	77,877	3.296	12-3-10	12-3-13	26,825	0	26,825	0
Total Payable through Highway/Public Works Fund					\$ 281,825	0 \$	49,039 \$	232,786
Payable through General Debt Service Fund								
E-911 Communications Tower and Equipment	221,000	3.99	8-17-05	11-30-14	\$ 92,083	0 \$	18,417 \$	73,666
Ambulance and Equipment	107,027	2.85	12-11-08	2-1-16	46,518	0	15,077	31,441
Library Renovation	75,000	4.19	4-8-09	4-6-19	45,894	0	8,394	37,500
Airport Maintenance	70,000	3.49	7-9-09	7-10-19	49,000	0	7,000	42,000
Fire Department Equipment and Supplies	100,000	2.99	7-28-09	7-28-15	50,000	0	16,667	33,333
Ambulance	92,879	3	12-17-10	2-28-16	57,567	0	17,663	39,904
School Repair	500,000	3.22	12-20-10	12-1-16	315,707	0	55,556	260,151
Fire Engine and Equipment	150,000	3.49	6-14-11	8-8-14	116,667	0	16,667	100,000
Emergency Response Facility	200,000	2.99	7-10-12	7-10-15	200,000	0	16,667	183,333
Sheriff Vehicles	105,000	3.25	10-31-12	10-31-17	105,000	0	21,000	84,000
Fire Station Buildings and Equipment (Extension)	54,978	3	6-21-13	6-21-19	54,978	0	8,491	46,487
Health Department Addition (Extension)	15,000	2.45	6-21-13	6-21-16	15,000	0	4,878	10,122
Convenience Center Front End Loader (Extension)	27,572	2.45	6-24-13	6-24-16	27,572	0	8,966	18,606
Election Office Building	62,000	3.25	7-10-13	7-10-23	0	62,000	0	62,000
Hospital Computers and Equipment	400,000	3.05	1-6-14	1-6-20	0	400,000	0	400,000
Total Payable through General Debt Service Fund					\$ 1,175,986	\$ 462,000	\$ 215,443	\$ 1,422,543
Total Notes Payable					\$ 1,457,811	\$ 462,000	\$ 264,482	\$ 1,655,329
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund								
Jail Construction and Courthouse Renovations	1,800,000	variable	10-21-1999	5-25-24	\$ 1,109,000	0 \$	78,000 \$	1,031,000
School Construction	10,000,000	variable	1-31-00	5-25-27	7,023,000	0	358,000	6,665,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	680,000	0	38,000	642,000
Jail Construction and Courthouse Renovations	646,200 (1)	variable	4-26-02	5-25-20	307,200	0	44,000	263,200
Hospital Purchase	(2)	3.125	3-27-13	3-27-15	5,013,150	1,213,620	0	6,226,770
Total Other Loans Payable					\$ 14,132,350	\$ 1,213,620	\$ 518,000	\$ 14,827,970

(Continued)

Exhibit K-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 7-1-13	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-14
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Industrial Park Development (FmHA)	\$ 478,000	4 to 5 %	10-13-1977	10-1-16	\$ 72,000	0 \$	16,000	\$ 56,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	52,795	0	9,626	43,169
Total Bonds Payable					\$ 124,795	\$ 0	25,626	\$ 99,169

(1) Total amount approved was \$1,200,000, of which \$553,800 remains available for draws as of June 30, 2014.

(2) Total amount approved was \$7,500,000, of which \$1,273,230 remains available for draws as of June 30, 2014.

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 313,752	\$ 52,309	\$ 366,061
2016	465,322	41,412	506,734
2017	326,034	27,347	353,381
2018	178,027	17,073	195,100
2019	139,660	11,603	151,263
2020	123,106	7,237	130,343
2021	33,572	3,379	36,951
2022	34,409	2,341	36,750
2023	35,247	1,283	36,530
2024	6,200	202	6,402
Total	<u>\$ 1,655,329</u>	<u>\$ 164,186</u>	<u>\$ 1,819,515</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 544,000	\$ 11,091	\$ 117,030	\$ 672,121
2016	6,797,770	204,510	109,686	7,111,966
2017	600,000	9,659	101,977	711,636
2018	631,000	8,889	93,877	733,766
2019	662,000	8,078	85,359	755,437
2020	645,200	7,228	76,422	728,850
2021	668,000	6,396	67,609	742,005
2022	701,000	5,533	58,591	765,124
2023	737,000	4,627	49,127	790,754
2024	774,000	3,675	39,178	816,853
2025	679,000	2,675	28,575	710,250
2026	713,000	1,799	19,409	734,208
2027	676,000	879	9,655	686,534
Total	<u>\$ 14,827,970</u>	<u>\$ 275,039</u>	<u>\$ 856,495</u>	<u>\$ 15,959,504</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
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>\$ 99,169</u>	<u>\$ 9,503</u>	<u>\$ 108,672</u>

Exhibit K-3

Houston County, Tennessee
Schedule of Notes Receivable
June 30, 2014

Description	Debtor	Original Amount of Notes	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-14
General Debt Service Fund Emergency Communications Tower	Houston County Emergency Communications District	\$ 219,430	6-29-05	9-13-18	4.6 %	\$ 85,258
Total Notes Receivable						<u>\$ 85,258</u>

Exhibit K-4

Houston County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Houston County School Department
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Hospital	Operations	\$ 50,715
Special Purpose	"	"	<u>1,237,791</u>
Total Transfers Primary Government			<u>\$ 1,288,506</u>
<u>DISCRETELY PRESENTED HOUSTON COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects	Cash Flow	<u>\$ 100,000</u>
Total Transfers Discretely Presented Houston County School Department			<u>\$ 100,000</u>

Exhibit K-5

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, 2014

Official	Authorization for Salary	\$	Salary Paid During Period	\$	Bond	Surety
County Mayor	Section 8-24-102, TCA		70,069		25,000	Auto Owners Insurance Company
Road Superintendent	Section 8-24-102, TCA		66,735		100,000	"
Director of Schools	State Board of Education and County Board of Education		91,731 (1)		100,000	Western Surety Company
Trustee	Section 8-24-102, TCA		60,665		448,500	Auto Owners Insurance Company
Assessor of Property	Section 8-24-102, TCA		60,921 (2)		50,000	"
County Clerk	Section 8-24-102, TCA		60,665		25,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA		60,665		50,000	"
Clerk and Master	Section 8-24-102, TCA		60,665 (3)		50,000	"
Register of Deeds	Section 8-24-102, TCA		60,665		25,000	"
Sheriff	Section 8-24-102, TCA		66,735 (4)		25,000	"
Employee Blanket Bonds:						
County Mayor and Road Superintendent:						
All Employees					150,000	Local Government Property and Casualty Fund
Director of Schools:						
All Employees					150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) Includes \$256 for correction of underpayment in prior year.
- (3) Does not include special commissioner fees of \$4,795.
- (4) Does not include a law enforcement training supplement of \$600.

Exhibit K-6

Houston County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2014

	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	\$ 2,232,457	\$ 152,748	\$ 0	\$ 0	\$ 0	\$ 11,750
Discount on Property Taxes	(19,864)	(1,356)	0	0	0	(103)
Trustee's Collections - Prior Year	118,400	11,511	0	0	0	642
Trustee's Collections - Bankruptcy	654	55	0	0	0	3
Circuit/Clerk and Master Collections - Prior Years	20,951	1,448	0	0	0	110
Interest and Penalty	22,044	2,003	0	0	0	118
Payments in-Lieu-of Taxes - T.V.A.	0	95	0	0	0	7
Payments in-Lieu-of Taxes - Local Utilities	30,895	2,088	0	0	0	163
<u>County Local Option Taxes</u>						
Local Option Sales Tax	104,622	0	0	0	0	0
Hotel/Motel Tax	17,985	0	0	0	0	0
Wheel Tax	0	0	0	0	0	0
Litigation Tax - General	14,355	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0
Business Tax	0	1,862	0	0	0	141
<u>Statutory Local Taxes</u>						
Bank Excise Tax	476	0	0	0	0	0
Wholesale Beer Tax	31,133	0	0	0	0	0
Interstate Telecommunications Tax	584	0	0	0	0	0
Total Local Taxes	\$ 2,574,692	\$ 170,454	\$ 0	\$ 0	\$ 0	\$ 12,831
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 2,683	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(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>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Other Permits	270	0	0	0	0	0
Total Licenses and Permits	\$ 2,953	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	3,441	0	0	0	0	0
Officers Costs	2,357	0	0	0	0	0
Drug Control Fines	0	0	0	843	0	0
Jail Fees	427	0	0	0	0	0
Data Entry Fee - Circuit Court	352	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	7,500	0	0	0	0	600
Officers Costs	11,411	0	0	0	0	0
Game and Fish Fines	539	0	0	0	0	0
Drug Control Fines	0	0	0	288	0	0
Jail Fees	1,570	0	0	0	0	0
DUI Treatment Fines	1,945	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,631	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	104	0	0	0	0	0
Officers Costs	800	0	0	0	0	0
Data Entry Fee - Juvenile Court	142	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	1,437	0	0	0	0	0
Data Entry Fee - Chancery Court	1,629	0	0	0	0	0
Courtroom Security Fee	389	0	0	0	0	0

(Continued)

Exhibit K-6

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>Other Courts - In-county</u>						
Drug Control Fines	\$ 67	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Fines, Forfeitures, and Penalties	\$ 35,741	\$ 0	\$ 0	\$ 1,131	\$ 0	\$ 600
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 1,164	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	464,040	0	0	0	0	0
Other General Service Charges	26,218	0	0	0	0	0
<u>Fees</u>						
Airport Fees	3,750	0	0	0	0	0
Copy Fees	31	0	0	0	0	0
Archives and Records Management Fee - County Clerk	138	0	0	0	0	0
Greenbelt Late Application Fee	50	0	0	0	0	0
Telephone Commissions	6,602	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	66,012	0
Data Processing Fee - Register	2,516	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	2,225	0	0	0	0	0
Data Processing Fee - County Clerk	580	0	0	0	0	0
Total Charges for Current Services	\$ 506,150	\$ 1,164	\$ 0	\$ 0	\$ 66,012	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Lease/Rentals	\$ 37,525	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Materials and Supplies	242	0	0	0	0	0
Commissary Sales	13,722	0	0	0	0	0

(Continued)

Exhibit K-6

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>						
Sale of Gasoline	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,845
Sale of Recycled Materials	0	4,946	0	0	0	0
Miscellaneous Refunds	12,568	33	0	0	0	24,250
<u>Nonrecurring Items</u>						
Sale of Equipment	6,770	0	0	4,149	0	0
Sale of Property	0	0	1,000	0	0	0
Contributions and Gifts	0	0	0	476	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	14,851	0	0	0	0	0
Total Other Local Revenues	\$ 85,678	\$ 4,979	\$ 1,000	\$ 4,625	\$ 0	\$ 39,095
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 17,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Officials	2,880	0	0	0	0	0
<u>Fees in-Lieu-of Salary</u>						
Circuit Court Clerk	16,339	0	0	0	0	0
General Sessions Court Clerk	31,412	0	0	0	0	0
Clerk and Master	38,895	0	0	0	0	0
Juvenile Court Clerk	3,073	0	0	0	0	0
Register	27,650	0	0	0	0	0
Sheriff	3,819	0	0	0	0	0
Trustee	120,414	0	0	0	0	0
Total Fees Received from County Officials	\$ 261,482	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(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</u>							
<u>General Government Grants</u>							
Airport Maintenance Program	\$ 147,561	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Other General Government Grants	24,035	0	0	0	0	0	0
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	5,400	0	0	0	0	0	0
Safe and Drug-free Schools and Communities	14,500	0	0	0	0	0	0
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	0	0	129,879
State Aid Program	0	0	0	0	0	0	133,935
Litter Program	26,562	0	0	0	0	0	0
<u>Other State Revenues</u>							
Income Tax	0	392	0	0	0	0	90
Resort District Sales Tax	81,126	0	0	0	0	0	0
Beer Tax	17,806	0	0	0	0	0	0
Alcoholic Beverage Tax	0	20,136	0	0	0	0	0
State Revenue Sharing - T.V.A.	0	23,937	0	0	0	0	4,601
Contracted Prisoner Boarding	66,600	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	1,992	0	0	0	0	0	1,264,711
Petroleum Special Tax	0	0	0	0	0	0	6,080
Registrar's Salary Supplement	15,164	0	0	0	0	0	0
Other State Grants	17,108	0	0	0	0	0	0
Other State Revenues	35,318	0	0	0	0	0	0
Total State of Tennessee	\$ 453,172	\$ 44,465	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,539,296

(Continued)

Exhibit K-6

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>Federal Government</u>						
<u>Federal Through State</u>						
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 94,705
Community Development	0	0	0	0	0	0
Disaster Relief	0	0	0	0	0	9,813
Homeland Security Grants	2,770	0	0	0	0	0
Law Enforcement Grants	20,573	0	0	550	0	0
Other Federal through State	124,438	0	0	0	0	0
Total Federal Government	\$ 147,781	\$ 0	\$ 0	\$ 550	\$ 0	\$ 104,518
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 143,086	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	11,479	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 154,565	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 4,222,214	\$ 221,062	\$ 1,000	\$ 6,306	\$ 66,012	\$ 1,696,340

(Continued)

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	General Capital Projects	General Capital Projects	Other Capital Projects		
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 23,503	\$ 0	\$ 0	\$ 0	\$ 2,420,458	
Discount on Property Taxes	(216)	0	0	0	(21,539)	
Trustee's Collections - Prior Year	1,284	0	0	0	131,837	
Trustee's Collections - Bankruptcy	7	0	0	0	719	
Circuit/Clerk and Master Collections - Prior Years	221	0	0	0	22,730	
Interest and Penalty	239	0	0	0	24,404	
Payments in-Lieu-of Taxes - T.V.A.	15	0	0	0	117	
Payments in-Lieu-of Taxes - Local Utilities	326	0	0	0	33,472	
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	104,622	
Hotel/Motel Tax	0	0	0	0	17,985	
Wheel Tax	321,218	0	0	0	321,218	
Litigation Tax - General	0	0	0	0	14,355	
Litigation Tax - Jail, Workhouse, or Courthouse	5,417	0	0	0	5,417	
Business Tax	281	0	0	0	2,284	
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	476	
Wholesale Beer Tax	0	0	0	0	31,133	
Interstate Telecommunications Tax	0	0	0	0	584	
Total Local Taxes	\$ 352,295	\$ 0	\$ 0	\$ 0	\$ 3,110,272	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	2,683	

(Continued)

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	General Capital Projects	General Capital Projects	Other Capital Projects		
<u>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Other Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 270
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,953
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,441
Officers Costs	0	0	0	0	0	2,357
Drug Control Fines	0	0	0	0	0	843
Jail Fees	0	0	0	0	0	427
Data Entry Fee - Circuit Court	0	0	0	0	0	352
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	8,100
Officers Costs	0	0	0	0	0	11,411
Game and Fish Fines	0	0	0	0	0	539
Drug Control Fines	0	0	0	0	0	288
Jail Fees	0	0	0	0	0	1,570
DUI Treatment Fines	0	0	0	0	0	1,945
Data Entry Fee - General Sessions Court	0	0	0	0	0	1,631
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	104
Officers Costs	0	0	0	0	0	800
Data Entry Fee - Juvenile Court	0	0	0	0	0	142
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	1,437
Data Entry Fee - Chancery Court	0	0	0	0	0	1,629
Courtroom Security Fee	0	0	0	0	0	389

(Continued)

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

	Debt Service				Total
	Fund	General Debt Service	General Capital Projects	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Other Courts - In-county</u>					
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,472
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,164
Patient Charges	0	0	0	0	464,040
Other General Service Charges	0	0	0	0	26,218
<u>Fees</u>					
Airport Fees	0	0	0	0	3,750
Copy Fees	0	0	0	0	31
Archives and Records Management Fee - County Clerk	0	0	0	0	138
Greenbelt Late Application Fee	0	0	0	0	50
Telephone Commissions	0	0	0	0	6,602
Constitutional Officers' Fees and Commissions	0	0	0	0	66,012
Data Processing Fee - Register	0	0	0	0	2,516
Sexual Offender Registration Fee - Sheriff	0	0	0	0	2,225
Data Processing Fee - County Clerk	0	0	0	0	580
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 573,326
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Lease/Rentals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,525
Sale of Materials and Supplies	0	0	0	0	242
Commissary Sales	0	0	0	0	13,722

(Continued)

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	General Capital Projects	General Capital Projects	Other Capital Projects		
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Sale of Gasoline	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,845
Sale of Recycled Materials	0	0	0	0	0	4,946
Miscellaneous Refunds	0	0	0	0	0	36,851
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	0	0	0	10,919
Sale of Property	0	0	0	0	0	1,000
Contributions and Gifts	0	0	0	0	0	476
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	14,851
Total Other Local Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	135,377
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	0	0	0	0	0	17,000
Other Officials	0	0	0	0	0	2,880
<u>Fees in-Lieu-of Salary</u>						
Circuit Court Clerk	0	0	0	0	0	16,339
General Sessions Court Clerk	0	0	0	0	0	31,412
Clerk and Master	0	0	0	0	0	38,895
Juvenile Court Clerk	0	0	0	0	0	3,073
Register	0	0	0	0	0	27,650
Sheriff	0	0	0	0	0	3,819
Trustee	0	0	0	0	0	120,414
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	261,482

(Continued)

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	General Capital Projects	General Capital Projects	Other Capital Projects		
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Airport Maintenance Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	147,561
Other General Government Grants	0	0	0	0	0	24,035
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	5,400
Safe and Drug-free Schools and Communities	0	0	0	0	0	14,500
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	129,879
State Aid Program	0	0	0	0	0	133,935
Litter Program	0	0	0	0	0	26,562
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	482
Resort District Sales Tax	0	0	0	0	0	81,126
Beer Tax	0	0	0	0	0	17,806
Alcoholic Beverage Tax	0	0	0	0	0	20,136
State Revenue Sharing - T.V.A.	0	0	0	0	0	28,538
Contracted Prisoner Boarding	81,400	0	0	0	0	148,000
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,266,703
Petroleum Special Tax	0	0	0	0	0	6,080
Registrar's Salary Supplement	0	0	0	0	0	15,164
Other State Grants	0	0	0	0	0	17,108
Other State Revenues	0	0	0	0	0	35,318
Total State of Tennessee	\$ 81,400	\$ 0	\$ 0	\$ 0	\$ 0	2,118,333

(Continued)

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

	Debt Service Fund		Capital Projects Funds			Total
	General Debt Service	General Capital Projects	General Capital Projects	Other Capital Projects		
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 94,705
Community Development	0	789,626	789,626	116,113	905,739	905,739
Disaster Relief	0	0	0	0	0	9,813
Homeland Security Grants	0	0	0	0	0	2,770
Law Enforcement Grants	0	0	0	0	0	21,123
Other Federal through State	0	0	0	0	0	124,438
Total Federal Government	\$ 0	\$ 789,626	\$ 789,626	\$ 116,113	\$ 905,739	\$ 1,158,588
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 469,382	\$ 0	\$ 0	\$ 0	\$ 469,382	\$ 612,468
Contracted Services	7,500	0	0	0	7,500	18,979
Total Other Governments and Citizens Groups	\$ 476,882	\$ 0	\$ 0	\$ 0	\$ 476,882	\$ 631,447
Total	\$ 910,577	\$ 789,626	\$ 789,626	\$ 116,113	\$ 1,705,545	\$ 8,029,250

Exhibit K-7

Houston County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Houston County School Department
For the Year Ended June 30, 2014

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 622,739	\$ 0	\$ 0	\$ 622,739
Discount on Property Taxes	(5,539)	0	0	(5,539)
Trustee's Collections - Prior Year	33,866	0	0	33,866
Trustee's Collections - Bankruptcy	185	0	0	185
Circuit/Clerk and Master Collections - Prior Years	5,848	0	0	5,848
Interest and Penalty	6,281	0	0	6,281
Payments in-Lieu-of Taxes - T.V.A.	1,785	0	0	1,785
Payments in-Lieu-of Taxes - Local Utilities	8,448	0	0	8,448
<u>County Local Option Taxes</u>				
Local Option Sales Tax	545,068	0	0	545,068
Business Tax	34,233	0	0	34,233
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	858	0	0	858
Total Local Taxes	\$ 1,253,772	\$ 0	\$ 0	\$ 1,253,772
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 693	\$ 0	\$ 0	\$ 693
Total Licenses and Permits	\$ 693	\$ 0	\$ 0	\$ 693
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 5,800	\$ 0	\$ 0	\$ 5,800
Lunch Payments - Children	0	0	105,702	105,702
Lunch Payments - Adults	0	0	20,830	20,830
Income from Breakfast	0	0	21,194	21,194
A la carte Sales	0	0	172,129	172,129
Receipts from Individual Schools	16,866	0	0	16,866
Total Charges for Current Services	\$ 22,666	\$ 0	\$ 319,855	\$ 342,521
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 38,032	\$ 0	\$ 2,001	\$ 40,033
Miscellaneous Refunds	31,732	0	1,919	33,651
<u>Nonrecurring Items</u>				
Sale of Equipment	5,196	0	0	5,196
Damages Recovered from Individuals	267	0	0	267
Total Other Local Revenues	\$ 75,227	\$ 0	\$ 3,920	\$ 79,147
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 26,443	\$ 0	\$ 0	\$ 26,443
<u>State Education Funds</u>				
Basic Education Program	7,620,000	0	0	7,620,000
Early Childhood Education	310,630	0	0	310,630
School Food Service	6,735	0	748	7,483

(Continued)

Exhibit K-7

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>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Other State Education Funds	\$ 256,661	\$ 0	\$ 0	\$ 256,661
Career Ladder Program	52,894	0	0	52,894
Career Ladder - Extended Contract	15,220	0	0	15,220
<u>Other State Revenues</u>				
Income Tax	7,327	0	0	7,327
State Revenue Sharing - T.V.A.	372,667	0	0	372,667
Other State Grants	2,420	0	0	2,420
Total State of Tennessee	<u>\$ 8,670,997</u>	<u>\$ 0</u>	<u>\$ 748</u>	<u>\$ 8,671,745</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 295,062	\$ 295,062
USDA - Commodities	0	0	47,195	47,195
Breakfast	0	0	140,029	140,029
Vocational Education - Basic Grants to States	0	20,219	0	20,219
Title I Grants to Local Education Agencies	0	322,208	0	322,208
Special Education - Grants to States	56,232	325,403	0	381,635
Special Education Preschool Grants	0	16,846	0	16,846
Rural Education	0	34,138	0	34,138
Eisenhower Professional Development State Grants	0	52,268	0	52,268
Race-to-the-Top - ARRA	0	117,301	0	117,301
Total Federal Government	<u>\$ 56,232</u>	<u>\$ 888,383</u>	<u>\$ 482,286</u>	<u>\$ 1,426,901</u>
Total	<u>\$ 10,079,587</u>	<u>\$ 888,383</u>	<u>\$ 806,809</u>	<u>\$ 11,774,779</u>

Exhibit K-8

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	33,900	
Social Security		2,164	
Unemployment Compensation		2	
Employer Medicare		506	
Audit Services		2,528	
Dues and Memberships		1,993	
Legal Services		225	
Legal Notices, Recording, and Court Costs		6,632	
Other Contracted Services		1,000	
Total County Commission			\$ 48,950

Board of Equalization

Board and Committee Members Fees	\$	1,000	
Social Security		62	
Unemployment Compensation		4	
Employer Medicare		14	
Total Board of Equalization			1,080

Budget and Finance Committee

Other Salaries and Wages	\$	1,054	
Social Security		75	
Unemployment Compensation		3	
Employer Medicare		17	
Total Budget and Finance Committee			1,149

Other Boards and Committees

Part-time Personnel	\$	7,560	
Social Security		469	
Unemployment Compensation		90	
Employer Medicare		110	
Travel		50	
Instructional Supplies and Materials		2,996	
Office Supplies		4,300	
Other Supplies and Materials		4,291	
Other Charges		1,000	
Total Other Boards and Committees			20,866

County Mayor/Executive

County Official/Administrative Officer	\$	70,069	
Accountants/Bookkeepers		24,115	
Clerical Personnel		20,961	
In-service Training		698	
Social Security		7,139	
Unemployment Compensation		197	
Employer Medicare		1,669	
Data Processing Services		8,324	
Dues and Memberships		1,087	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Legal Notices, Recording, and Court Costs	\$	33	
Travel		2,669	
Office Supplies		2,964	
Premiums on Corporate Surety Bonds		641	
Other Charges		248	
Data Processing Equipment		2,255	
Total County Mayor/Executive			\$ 143,069

County Attorney

County Official/Administrative Officer	\$	19,038	
Dues and Memberships		275	
Total County Attorney			19,313

Election Commission

County Official/Administrative Officer	\$	54,599	
Clerical Personnel		16,120	
Election Commission		2,100	
Election Workers		1,721	
Social Security		4,621	
Unemployment Compensation		363	
Employer Medicare		1,081	
Data Processing Services		2,900	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		360	
Travel		1,408	
Utilities		2,108	
Other Supplies and Materials		3,911	
Data Processing Equipment		1,215	
Voting Machines		3,415	
Total Election Commission			96,097

Register of Deeds

County Official/Administrative Officer	\$	60,665	
Deputy(ies)		17,780	
Social Security		4,864	
Unemployment Compensation		332	
Employer Medicare		1,137	
Data Processing Services		1,500	
Dues and Memberships		432	
Printing, Stationery, and Forms		225	
Office Supplies		1,006	
Data Processing Equipment		2,396	
Total Register of Deeds			90,337

Planning

Data Processing Personnel	\$	10,000	
Social Security		620	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Unemployment Compensation	\$	46	
Employer Medicare		145	
Total Planning			\$ 10,811

Building

Building Construction	\$	422	
Total Building			422

County Buildings

Custodial Personnel	\$	21,624	
Social Security		1,341	
Unemployment Compensation		189	
Employer Medicare		314	
Maintenance Agreements		2,764	
Maintenance and Repair Services - Buildings		2,756	
Other Contracted Services		686	
Custodial Supplies		4,099	
Electricity		16,221	
Natural Gas		3,150	
Water and Sewer		3,512	
Building and Contents Insurance		8,000	
Other Construction		324	
Total County Buildings			64,980

Other General Administration

Postal Charges	\$	12,000	
Rentals		4,385	
Data Processing Supplies		2,187	
Total Other General Administration			18,572

Finance

Central Services

Other Salaries and Wages	\$	15,000	
Social Security		921	
Unemployment Compensation		100	
Employer Medicare		215	
Total Central Services			16,236

Property Assessor's Office

County Official/Administrative Officer	\$	60,921	
Secretary(ies)		15,081	
Social Security		4,696	
Unemployment Compensation		169	
Employer Medicare		1,098	
Contracts with Private Agencies		5,162	
Data Processing Services		1,861	
Dues and Memberships		1,050	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Legal Notices, Recording, and Court Costs	\$	397	
Maintenance and Repair Services - Vehicles		422	
Travel		312	
Other Contracted Services		125	
Gasoline		183	
Office Supplies		1,100	
Total Property Assessor's Office			\$ 92,577

Reappraisal Program

Laborers	\$	5,072	
Clerical Personnel		963	
Social Security		374	
Unemployment Compensation		121	
Employer Medicare		88	
Data Processing Services		1,110	
Travel		101	
Total Reappraisal Program			7,829

County Trustee's Office

County Official/Administrative Officer	\$	60,665	
Clerical Personnel		20,527	
Other Salaries and Wages		3,244	
Social Security		5,235	
Unemployment Compensation		245	
Employer Medicare		1,224	
Data Processing Services		7,462	
Dues and Memberships		447	
Legal Notices, Recording, and Court Costs		234	
Travel		889	
Other Contracted Services		3,571	
Office Supplies		1,411	
Data Processing Equipment		6,477	
Office Equipment		275	
Total County Trustee's Office			111,906

County Clerk's Office

Deputy(ies)	\$	19,102	
Secretary(ies)		33,234	
Clerical Personnel		4,602	
Other Salaries and Wages		5,294	
Social Security		7,667	
Unemployment Compensation		536	
Employer Medicare		1,793	
Contracts with Private Agencies		3,000	
Travel		68	
Maintenance and Repair Services - Records		2,572	
Office Supplies		4,194	
Office Equipment		80	
Total County Clerk's Office			82,142

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Data Processing

Data Processing Equipment	\$ 2,423	
Total Data Processing	<u>2,423</u>	\$ 2,423

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 60,665	
Deputy(ies)	18,201	
Clerical Personnel	16,931	
Other Salaries and Wages	5,972	
Jury and Witness Expense	5,811	
Social Security	6,310	
Unemployment Compensation	655	
Employer Medicare	1,476	
Dues and Memberships	397	
Legal Notices, Recording, and Court Costs	492	
Travel	943	
Office Supplies	1,980	
Data Processing Equipment	8,835	
Total Circuit Court	<u>128,668</u>	128,668

General Sessions Judge

Judge(s)	\$ 49,334	
Salary Supplements	4,309	
Social Security	3,326	
Employer Medicare	778	
Dues and Memberships	100	
Travel	785	
Total General Sessions Judge	<u>58,632</u>	58,632

Chancery Court

County Official/Administrative Officer	\$ 60,665	
Deputy(ies)	18,209	
Temporary Personnel	510	
Social Security	4,922	
Unemployment Compensation	206	
Employer Medicare	1,151	
Dues and Memberships	397	
Legal Notices, Recording, and Court Costs	30	
Travel	294	
Office Supplies	3,070	
Data Processing Equipment	4,670	
Total Chancery Court	<u>94,124</u>	94,124

Juvenile Court

Judge(s)	\$ 12,939	
Social Workers	28,480	
Guards	60	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Social Security	\$	2,568	
Unemployment Compensation		178	
Employer Medicare		601	
Contracts with Private Agencies		752	
Travel		339	
Other Supplies and Materials		953	
Other Charges		639	
Total Juvenile Court			\$ 47,509

District Attorney General

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

Judicial Commissioners

Clerical Personnel	\$	13,004	
Social Security		806	
Employer Medicare		189	
Total Judicial Commissioners			13,999

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	66,735	
Deputy(ies)		255,521	
Salary Supplements		5,400	
Secretary(ies)		13,185	
In-service Training		7,172	
Social Security		21,132	
Unemployment Compensation		1,785	
Employer Medicare		4,942	
Communication		2,195	
Maintenance and Repair Services - Equipment		50	
Maintenance and Repair Services - Office Equipment		675	
Maintenance and Repair Services - Vehicles		9,950	
Postal Charges		750	
Travel		373	
Gasoline		38,500	
Law Enforcement Supplies		1,012	
Office Supplies		1,473	
Tires and Tubes		2,183	
Uniforms		2,821	
Other Supplies and Materials		132	
Vehicle and Equipment Insurance		4,500	
Data Processing Equipment		1,105	
Law Enforcement Equipment		3,858	
Total Sheriff's Department			445,449

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Special Patrols

Deputy(ies)	\$	16,137	
Social Security		1,000	
Unemployment Compensation		77	
Employer Medicare		234	
Law Enforcement Equipment		9,992	
Total Special Patrols			\$ 27,440

Drug Enforcement

Evaluation and Testing	\$	2,220	
Total Drug Enforcement			2,220

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$	500	
Total Administration of the Sexual Offender Registry			500

Jail

Guards	\$	238,584	
Secretary(ies)		20,076	
Cafeteria Personnel		21,520	
Social Security		17,371	
Unemployment Compensation		3,309	
Employer Medicare		4,063	
Communication		10,677	
Data Processing Services		900	
Dues and Memberships		1,150	
Maintenance and Repair Services - Buildings		11,605	
Maintenance and Repair Services - Equipment		5,626	
Maintenance and Repair Services - Office Equipment		1,381	
Medical and Dental Services		42,095	
Pest Control		300	
Postal Charges		715	
Travel		446	
Custodial Supplies		3,231	
Electricity		27,965	
Food Supplies		27,488	
Gasoline		6,000	
Law Enforcement Supplies		940	
Natural Gas		9,037	
Office Supplies		1,171	
Uniforms		1,756	
Utilities		263	
Water and Sewer		11,117	
Other Supplies and Materials		1,481	
Law Enforcement Equipment		680	
Total Jail			470,947

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Supervisor/Director	\$	30,299	
In-service Training		1,763	
Social Security		1,879	
Unemployment Compensation		180	
Employer Medicare		439	
Dues and Memberships		596	
Rentals		1,500	
Travel		683	
Electricity		1,941	
Equipment and Machinery Parts		9,584	
Gasoline		8,124	
Natural Gas		2,475	
Office Supplies		452	
Water and Sewer		545	
Building and Contents Insurance		1,300	
Other Charges		646	
Building Construction		142	
Maintenance Equipment		16,480	
Total Fire Prevention and Control			\$ 79,028

Rural Fire Protection

In-service Training	\$	5,077	
Maintenance and Repair Services - Equipment		1,500	
Instructional Supplies and Materials		341	
Office Equipment		1,888	
Total Rural Fire Protection			8,806

Other Emergency Management

Supervisor/Director	\$	24,635	
Salary Supplements		5,593	
Dispatchers/Radio Operators		125,395	
In-service Training		66	
Social Security		9,653	
Unemployment Compensation		1,642	
Employer Medicare		2,257	
Communication		3,290	
Contracts with Private Agencies		4,161	
Maintenance and Repair Services - Buildings		350	
Maintenance and Repair Services - Office Equipment		1,187	
Pest Control		140	
Postal Charges		92	
Travel		201	
Custodial Supplies		1,180	
Electricity		4,614	
Natural Gas		385	
Office Supplies		2,093	
Water and Sewer		511	
Total Other Emergency Management			187,445

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Medical Personnel	\$ 11,928	
Total County Coroner/Medical Examiner		\$ 11,928

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 4,800	
Communication	3,145	
Contracts with Government Agencies	8,205	
Custodial Supplies	240	
Electricity	5,560	
Office Supplies	43	
Water and Sewer	2,235	
Other Supplies and Materials	299	
Building and Contents Insurance	550	
Other Charges	844	
Total Local Health Center		25,921

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 37,418	
Accountants/Bookkeepers	24,470	
Medical Personnel	250,942	
Paraprofessionals	193,968	
Social Security	31,421	
Unemployment Compensation	3,522	
Employer Medicare	7,349	
Contracts with Private Agencies	952	
Operating Lease Payments	4,625	
Licenses	1,500	
Maintenance and Repair Services - Buildings	143	
Maintenance and Repair Services - Office Equipment	334	
Maintenance and Repair Services - Vehicles	33,300	
Pest Control	195	
Postal Charges	1,200	
Travel	346	
Remittance of Revenue Collected	639	
Other Contracted Services	240	
Custodial Supplies	2,097	
Drugs and Medical Supplies	23,374	
Electricity	3,835	
Gasoline	21,977	
Office Supplies	2,750	
Utilities	5,461	
Water and Sewer	90	
Data Processing Equipment	1,800	
Office Equipment	743	
Total Ambulance/Emergency Medical Services		654,691

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Medical Personnel	\$	22,438	
In-service Training		1,200	
Social Security		1,391	
Unemployment Compensation		180	
Employer Medicare		325	
Travel		219	
Office Supplies		931	
Other Supplies and Materials		1,037	
Total Other Local Health Services			\$ 27,721

Regional Mental Health Center

Assistant(s)	\$	6,980	
Supervisor/Director		30,000	
Deputy(ies)		19,153	
Youth Service Officer(s)		10,020	
Accountants/Bookkeepers		12,485	
Social Security		5,567	
Unemployment Compensation		1,308	
Employer Medicare		1,304	
Communication		1,250	
Consultants		7,845	
Travel		13,534	
Other Contracted Services		7,495	
Office Supplies		3,617	
Total Regional Mental Health Center			120,558

Sanitation Education/Information

Laborers	\$	13,894	
Clerical Personnel		6,700	
Social Security		1,277	
Unemployment Compensation		300	
Employer Medicare		299	
Maintenance and Repair Services - Vehicles		1,198	
Gasoline		2,417	
Other Supplies and Materials		134	
Other Charges		5,183	
Total Sanitation Education/Information			31,402

Social, Cultural, and Recreational Services

Adult Activities

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

Libraries

Deputy(ies)	\$	19,094	
Librarians		33,252	
Clerical Personnel		18,491	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Part-time Personnel	\$	7,175	
Other Salaries and Wages		1,718	
Social Security		5,012	
Unemployment Compensation		905	
Employer Medicare		1,172	
Dues and Memberships		175	
Janitorial Services		1,780	
Maintenance and Repair Services - Buildings		2,142	
Postal Charges		46	
Travel		625	
Other Contracted Services		200	
Custodial Supplies		600	
Data Processing Supplies		2,363	
Electricity		8,304	
Library Books/Media		13,038	
Natural Gas		1,268	
Office Supplies		1,925	
Water and Sewer		289	
Other Supplies and Materials		150	
Total Libraries			\$ 119,724

Other Social, Cultural, and Recreational

Contracts with Other Public Agencies	\$	35,900	
Total Other Social, Cultural, and Recreational			35,900

Agriculture and Natural Resources

Agricultural Extension Service

Assistant(s)	\$	9,527	
Supervisor/Director		11,794	
Secretary(ies)		5,855	
Social Security		1,554	
Local Retirement		2,931	
Travel		2,924	
Office Supplies		1,249	
Total Agricultural Extension Service			35,834

Forest Service

Other Equipment	\$	999	
Total Forest Service			999

Soil Conservation

Board and Committee Members Fees	\$	7,172	
Social Security		445	
Unemployment Compensation		144	
Employer Medicare		104	
Contributions		1,000	
Total Soil Conservation			8,865

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations

Tourism

Maintenance Personnel	\$	3,621	
Social Security		224	
Unemployment Compensation		72	
Employer Medicare		52	
Contracts with Other Public Agencies		1,618	
Maintenance and Repair Services - Buildings		2,214	
Maintenance and Repair Services - Equipment		1,068	
Electricity		3,281	
Garage Supplies		1,351	
Other Charges		500	
Building Improvements		5,545	
Total Tourism			\$ 19,546

Tourism-resort District

Other Contracted Services	\$	1,018	
Total Tourism-resort District			1,018

Other Economic and Community Development

County Official/Administrative Officer	\$	28,135	
Assistant(s)		9,977	
In-service Training		837	
Social Security		2,473	
Unemployment Compensation		373	
Employer Medicare		578	
Maintenance and Repair Services - Buildings		1,888	
Custodial Supplies		203	
Food Supplies		9,507	
Office Supplies		332	
Utilities		7,935	
Other Supplies and Materials		1,321	
Building and Contents Insurance		2,500	
Office Equipment		1,848	
Total Other Economic and Community Development			67,907

Airport

Part-time Personnel	\$	600	
Social Security		37	
Unemployment Compensation		6	
Employer Medicare		9	
Contracts with Private Agencies		215	
Maintenance Agreements		5,650	
Maintenance and Repair Services - Buildings		578	
Travel		950	
Diesel Fuel		25,761	
Electricity		1,232	
Water and Sewer		226	
Building and Contents Insurance		2,492	
Airport Improvement		162,374	
Total Airport			200,130

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	14,280	
Social Security		885	
Unemployment Compensation		163	
Employer Medicare		207	
Communication		1,427	
Travel		740	
Electricity		400	
Natural Gas		250	
Water and Sewer		180	
Other Supplies and Materials		1,017	
Total Veterans' Services			\$ 19,549

Other Charges

Communication	\$	48,068	
Total Other Charges			48,068

Contributions to Other Agencies

Contracts with Government Agencies	\$	1,500	
Total Contributions to Other Agencies			1,500

Employee Benefits

Medical Insurance	\$	88,490	
Workers' Compensation Insurance		52,578	
Total Employee Benefits			141,068

Payments to Cities

Matching Share	\$	10,375	
Total Payments to Cities			10,375

Miscellaneous

Dues and Memberships	\$	1,750	
Remittance of Revenue Collected		10,910	
Liability Insurance		69,317	
Trustee's Commission		52,736	
Other Charges		1,000	
Total Miscellaneous			135,713

Capital Projects

General Administration Projects

Building Improvements	\$	10,060	
Total General Administration Projects			10,060

Social, Cultural, and Recreation Projects

Health Equipment	\$	7,497	
Total Social, Cultural, and Recreation Projects			7,497

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Capital Projects (Cont.)

Other General Government Projects

Building Purchases	\$ 62,000	
Total Other General Government Projects		\$ 62,000

Total General Fund \$ 4,245,475

Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Equipment Operators	\$ 58,723	
Other Salaries and Wages	5,459	
Social Security	3,979	
Unemployment Compensation	435	
Employer Medicare	931	
Communication	801	
Contracts with Private Agencies	134,918	
Evaluation and Testing	2,066	
Operating Lease Payments	12,000	
Maintenance and Repair Services - Equipment	43,806	
Travel	39	
Disposal Fees	2,500	
Diesel Fuel	9,123	
Electricity	2,186	
Water and Sewer	2,400	
Maintenance Equipment	12,334	
Total Convenience Centers		\$ 291,700

Landfill Operation and Maintenance

General Construction Materials	\$ 8,646	
Total Landfill Operation and Maintenance		8,646

Other Operations

Other Charges

Trustee's Commission	\$ 3,830	
Total Other Charges		3,830

Employee Benefits

Medical Insurance	\$ 5,318	
Total Employee Benefits		5,318

Total Solid Waste/Sanitation Fund 309,494

Special Purpose Fund

Public Health and Welfare

Other Local Health Services

Consultants	\$ 202,839	
Building Improvements	688,620	
Total Other Local Health Services		\$ 891,459

Total Special Purpose Fund 891,459

(Continued)

Exhibit K-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	2,000	
Gasoline		2,891	
Office Supplies		707	
Other Supplies and Materials		3,205	
Other Charges		56	
Law Enforcement Equipment		7,500	
Motor Vehicles		103,534	
Total Drug Enforcement			\$ 119,893

Total Drug Control Fund \$ 119,893

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	62,764	
Total County Clerk's Office			\$ 62,764

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	4,795	
Total Chancery Court			4,795

Total Constitutional Officers - Fees Fund 67,559

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	66,735	
Accountants/Bookkeepers		31,050	
Secretary(ies)		42,766	
Data Processing Services		6,166	
Dues and Memberships		1,938	
Freight Expenses		668	
Operating Lease Payments		2,580	
Legal Notices, Recording, and Court Costs		401	
Postal Charges		328	
Printing, Stationery, and Forms		261	
Travel		1,339	
Office Supplies		491	
Other Charges		282	
Total Administration			\$ 155,005

Highway and Bridge Maintenance

Foremen	\$	79,872	
Equipment Operators		148,755	
Truck Drivers		162,344	
Laborers		20,943	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Overtime Pay	\$	8,787	
Other Contracted Services		112,561	
Asphalt - Cold Mix		7,140	
Asphalt - Hot Mix		1,501	
Asphalt - Liquid		130,448	
Concrete		418	
Crushed Stone		137,069	
Ice		779	
Other Road Materials		298	
Pipe - Metal		19,460	
Road Signs		4,218	
Structural Steel		160	
Wood Products		5,465	
Other Supplies and Materials		2,335	
Total Highway and Bridge Maintenance			\$ 842,553

Operation and Maintenance of Equipment

Mechanic(s)	\$	13,700	
Overtime Pay		650	
Licenses		18	
Maintenance and Repair Services - Equipment		5,203	
Maintenance and Repair Services - Vehicles		1,606	
Diesel Fuel		63,378	
Equipment and Machinery Parts		20,465	
Garage Supplies		3,348	
Gasoline		33,256	
Lubricants		1,545	
Propane Gas		100	
Small Tools		578	
Tires and Tubes		17,091	
Vehicle Parts		6,370	
Total Operation and Maintenance of Equipment			167,308

Other Charges

Communication	\$	5,986	
Contracts with Private Agencies		605	
Janitorial Services		2,580	
Pest Control		250	
Rentals		840	
Custodial Supplies		320	
Drugs and Medical Supplies		44	
Electricity		4,078	
Water and Sewer		445	
Other Supplies and Materials		625	
Trustee's Commission		12,961	
Vehicle and Equipment Insurance		14,138	
Other Charges		6,883	
Total Other Charges			49,755

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	32,462	
Life Insurance		7,332	
Medical Insurance		157,075	
Unemployment Compensation		5,438	
Employer Medicare		7,592	
Laundry Service		2,030	
Workers' Compensation Insurance		37,992	
Total Employee Benefits			\$ 249,921

Capital Outlay

Engineering Services	\$	5,855	
Bridge Construction		129,879	
Highway Equipment		16,267	
Office Equipment		1,773	
State Aid Projects		170,838	
Total Capital Outlay			324,612

Principal on Debt

Highways and Streets

Principal on Notes	\$	49,039	
Total Highways and Streets			49,039

Interest on Debt

Highways and Streets

Interest on Notes	\$	8,620	
Total Highways and Streets			8,620

Total Highway/Public Works Fund \$ 1,846,813

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	25,626	
Principal on Notes		159,887	
Principal on Other Loans		160,000	
Total General Government			\$ 345,513

Education

Principal on Notes	\$	55,556	
Principal on Other Loans		358,000	
Total Education			413,556

Interest on Debt

General Government

Interest on Bonds	\$	5,643	
Interest on Notes		25,051	
Interest on Other Loans		35,366	
Total General Government			66,060

(Continued)

Exhibit K-8

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Interest on Debt (Cont.)</u>		
<u>Education</u>		
Interest on Notes	\$ 9,413	
Interest on Other Loans	109,844	
Total Education		\$ 119,257
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 7,685	
Total General Government		7,685
Total General Debt Service Fund		\$ 952,071
<u>General Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Industrial Development</u>		
County Official/Administrative Officer	\$ 25,350	
Purchasing Personnel	2,400	
Engineering Services	112,038	
Building Construction	519,838	
Land	130,000	
Total Industrial Development		\$ 789,626
Total General Capital Projects Fund		789,626
<u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Public Health and Welfare Projects</u>		
Accountants/Bookkeepers	\$ 1,475	
Engineering Services	1,917	
Other Construction	120,319	
Total Public Health and Welfare Projects		\$ 123,711
Total Other Capital Projects Fund		123,711
Total Governmental Funds - Primary Government		<u>\$ 9,346,101</u>

Exhibit K-9

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Houston County School Department
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,310,304	
Career Ladder Program	35,500	
Career Ladder Extended Contracts	9,495	
Homebound Teachers	10,445	
Educational Assistants	124,744	
Other Salaries and Wages	62,898	
Certified Substitute Teachers	2,100	
Non-certified Substitute Teachers	58,381	
Social Security	206,980	
State Retirement	295,987	
Medical Insurance	258,698	
Employer Medicare	48,407	
Other Contracted Services	74,766	
Instructional Supplies and Materials	50,450	
Textbooks	81,289	
Other Supplies and Materials	5,954	
Other Charges	976	
Regular Instruction Equipment	107,495	
Total Regular Instruction Program		\$ 4,744,869

Special Education Program

Teachers	\$ 290,529	
Career Ladder Program	2,500	
Homebound Teachers	4,870	
Educational Assistants	93,403	
Certified Substitute Teachers	732	
Non-certified Substitute Teachers	13,183	
Social Security	22,875	
State Retirement	24,613	
Medical Insurance	36,486	
Employer Medicare	5,350	
Other Contracted Services	26,971	
Instructional Supplies and Materials	1,762	
Other Supplies and Materials	2,422	
Special Education Equipment	415	
Total Special Education Program		526,111

Vocational Education Program

Teachers	\$ 178,488	
Career Ladder Program	500	
Non-certified Substitute Teachers	1,970	
Social Security	9,666	
State Retirement	15,983	
Medical Insurance	29,420	
Employer Medicare	2,260	
Instructional Supplies and Materials	552	
Total Vocational Education Program		238,839

(Continued)

Exhibit K-9

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	\$	30,666	
Career Ladder Program		500	
Social Security		1,774	
Employer Medicare		415	
Travel		308	
Total Attendance			\$ 33,663

Health Services

Medical Personnel	\$	21,175	
Social Security		1,301	
Employer Medicare		304	
Travel		384	
Drugs and Medical Supplies		46	
Other Supplies and Materials		134	
Total Health Services			23,344

Other Student Support

Guidance Personnel	\$	130,429	
Psychological Personnel		4,545	
Assessment Personnel		4,545	
School Resource Officer		14,500	
Other Salaries and Wages		41,910	
Social Security		10,438	
State Retirement		12,703	
Medical Insurance		8,943	
Employer Medicare		2,441	
Evaluation and Testing		4,928	
Travel		3,804	
Other Supplies and Materials		34,123	
Total Other Student Support			273,309

Regular Instruction Program

Supervisor/Director	\$	210,757	
Career Ladder Program		3,000	
Librarians		156,990	
Instructional Computer Personnel		75,195	
Social Security		25,450	
State Retirement		31,030	
Medical Insurance		34,143	
Employer Medicare		6,013	
Travel		1,496	
Library Books/Media		7,000	
Other Supplies and Materials		842	
In Service/Staff Development		5,562	
Other Charges		669	
Other Equipment		478	
Total Regular Instruction Program			558,625

(Continued)

Exhibit K-9

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

Supervisor/Director	\$	46,265	
Career Ladder Program		1,000	
Social Security		2,403	
State Retirement		4,197	
Medical Insurance		7,165	
Employer Medicare		562	
Maintenance and Repair Services - Equipment		1,007	
Travel		117	
Other Supplies and Materials		196	
Total Alternative Instruction Program			\$ 62,912

Special Education Program

Supervisor/Director	\$	40,595	
Career Ladder Program		500	
Psychological Personnel		45,460	
Social Security		5,083	
State Retirement		8,480	
Medical Insurance		2,141	
Employer Medicare		1,128	
Travel		1,482	
Other Supplies and Materials		1,345	
In Service/Staff Development		4,388	
Other Charges		111	
Total Special Education Program			110,713

Other Programs

On-behalf Payments to OPEB	\$	26,443	
Total Other Programs			26,443

Board of Education

Board and Committee Members Fees	\$	5,200	
Social Security		322	
Unemployment Compensation		20,924	
Employer Medicare		75	
Audit Services		3,500	
Dues and Memberships		5,350	
Legal Services		14,425	
Travel		602	
Other Contracted Services		7,547	
Other Supplies and Materials		780	
Liability Insurance		135,330	
Trustee's Commission		38,798	
Workers' Compensation Insurance		92,562	
In Service/Staff Development		3,726	
Criminal Investigation of Applicants - TBI		1,338	
Other Charges		10,088	
Total Board of Education			340,567

(Continued)

Exhibit K-9

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	\$	90,731	
Career Ladder Program		1,000	
Secretary(ies)		32,000	
Clerical Personnel		30,000	
Social Security		9,028	
State Retirement		8,146	
Medical Insurance		4,508	
Employer Medicare		2,111	
Communication		5,926	
Dues and Memberships		1,786	
Postal Charges		2,468	
Travel		1,347	
In Service/Staff Development		90	
Total Director of Schools			\$ 189,141

Office of the Principal

Principals	\$	258,718	
Career Ladder Program		2,500	
Assistant Principals		60,397	
Secretary(ies)		97,770	
Clerical Personnel		50,284	
Social Security		28,812	
State Retirement		29,830	
Medical Insurance		7,731	
Employer Medicare		6,738	
Communication		10,317	
Dues and Memberships		2,900	
Other Supplies and Materials		104	
In Service/Staff Development		514	
Other Charges		2,420	
Total Office of the Principal			559,035

Fiscal Services

Accountants/Bookkeepers	\$	76,000	
Social Security		4,497	
Employer Medicare		1,052	
Travel		622	
Other Contracted Services		10,750	
Data Processing Supplies		777	
Office Supplies		5,103	
In Service/Staff Development		645	
Other Charges		56	
Total Fiscal Services			99,502

Operation of Plant

Guards	\$	27,300	
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(Continued)

Exhibit K-9

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.)

Custodial Personnel	\$	172,645	
Other Salaries and Wages		35,301	
Social Security		14,525	
Employer Medicare		3,397	
Rentals		12,000	
Disposal Fees		5,499	
Other Contracted Services		8,338	
Custodial Supplies		18,715	
Electricity		375,670	
Natural Gas		67,986	
Water and Sewer		62,539	
Other Supplies and Materials		399	
Boiler Insurance		4,111	
Other Charges		175	
Plant Operation Equipment		687	
Total Operation of Plant			\$ 809,287

Maintenance of Plant

Maintenance Personnel	\$	94,796	
Social Security		5,844	
Employer Medicare		1,367	
Maintenance and Repair Services - Buildings		31,215	
Maintenance and Repair Services - Equipment		38,331	
Equipment and Machinery Parts		1,358	
Other Supplies and Materials		3,255	
Maintenance Equipment		1,022	
Total Maintenance of Plant			177,188

Transportation

Supervisor/Director	\$	41,000	
Mechanic(s)		71,000	
Bus Drivers		157,743	
Other Salaries and Wages		18,207	
Social Security		17,508	
Employer Medicare		4,095	
Communication		2,019	
Maintenance and Repair Services - Vehicles		7,568	
Medical and Dental Services		1,610	
Travel		1,543	
Other Contracted Services		378	
Garage Supplies		6,858	
Gasoline		101,010	
Lubricants		2,150	
Tires and Tubes		11,514	
Vehicle Parts		22,527	
Other Supplies and Materials		2,845	

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

In Service/Staff Development	\$	952	
Other Charges		383	
Transportation Equipment		101,284	
Total Transportation			\$ 572,194

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	31,000	
Social Security		1,884	
Employer Medicare		441	
Total Food Service			33,325

Community Services

Supervisor/Director	\$	19,000	
Other Salaries and Wages		6,000	
Social Security		1,537	
Employer Medicare		360	
Travel		717	
Other Supplies and Materials		825	
Other Equipment		559	
Total Community Services			28,998

Early Childhood Education

Supervisor/Director	\$	29,483	
Teachers		126,877	
Educational Assistants		69,644	
Other Salaries and Wages		25,719	
Non-certified Substitute Teachers		2,035	
Social Security		15,441	
State Retirement		13,047	
Medical Insurance		2,284	
Employer Medicare		3,611	
Travel		565	
Instructional Supplies and Materials		4,313	
Other Supplies and Materials		3,538	
In Service/Staff Development		1,047	
Other Charges		1,235	
Other Equipment		2,057	
Total Early Childhood Education			300,896

Capital Outlay

Regular Capital Outlay

Consultants	\$	500	
Building Improvements		184,030	
Other Capital Outlay		9,129	
Total Regular Capital Outlay			193,659

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 464,969	
Total Education		\$ 464,969

Total General Purpose School Fund \$ 10,367,589

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 266,561	
Educational Assistants	89,914	
Other Salaries and Wages	12,690	
Non-certified Substitute Teachers	110	
Social Security	22,088	
State Retirement	18,728	
Medical Insurance	13,678	
Employer Medicare	5,166	
Other Contracted Services	29,041	
Instructional Supplies and Materials	35,930	
Other Supplies and Materials	2,099	
Regular Instruction Equipment	17,579	
Total Regular Instruction Program		\$ 513,584

Special Education Program

Teachers	\$ 143,849	
Educational Assistants	107,219	
Non-certified Substitute Teachers	760	
Social Security	14,679	
State Retirement	12,774	
Medical Insurance	16,624	
Employer Medicare	3,433	
Special Education Equipment	712	
Total Special Education Program		300,050

Vocational Education Program

Other Contracted Services	\$ 440	
Instructional Supplies and Materials	4,464	
Vocational Instruction Equipment	10,514	
Total Vocational Education Program		15,418

Support Services

Other Student Support

Travel	\$ 3,788	
Other Supplies and Materials	382	
Total Other Student Support		4,170

(Continued)

Exhibit K-9

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

<u>School Federal Projects Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Regular Instruction Program</u>		
In Service/Staff Development	\$ 12,121	
Total Regular Instruction Program		\$ 12,121
<u>Special Education Program</u>		
Other Contracted Services	\$ 43,589	
Total Special Education Program		43,589
<u>Vocational Education Program</u>		
Travel	\$ 915	
In Service/Staff Development	100	
Total Vocational Education Program		<u>1,015</u>
Total School Federal Projects Fund		\$ 889,947
<u>Central Cafeteria Fund</u>		
<u>Operation of Non-instructional Services</u>		
<u>Food Service</u>		
Cafeteria Personnel	\$ 286,837	
Social Security	17,675	
Employer Medicare	4,161	
Communication	2,064	
Maintenance and Repair Services - Equipment	12,950	
Travel	4,499	
Other Contracted Services	16,888	
Food Supplies	385,730	
USDA - Commodities	47,195	
Other Supplies and Materials	37,474	
Other Charges	6,496	
Food Service Equipment	5,871	
Total Food Service		<u>\$ 827,840</u>
Total Central Cafeteria Fund		<u>827,840</u>
Total Governmental Funds - Houston County School Department		<u>\$ 12,085,376</u>

Houston County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2014

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 440,478
Total Cash Receipts	<u>\$ 440,478</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 436,073
Trustee's Commission	4,405
Total Cash Disbursements	<u>\$ 440,478</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2013	<u>0</u>
Cash Balance, June 30, 2014	<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, 2014, and the related notes to the financial statements, which collectively comprise Houston County's basic financial statements, and have issued our report thereon dated March 16, 2015. Our report includes a reference to other auditors who audited the financial statements of the Houston County Community Hospital and the discretely presented Houston County Emergency Communications District, as described in our report on Houston County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit 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: 2014-001 and 2014-012.

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: 2014-007, 2014-009, 2014-010, and 2014-013.

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: 2014-002, 2014-003, 2014-004, 2014-005, 2014-006, 2014-008, and 2014-011.

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 at the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

March 16, 2015

JPW/sb



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 Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and 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 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, 2014. 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 a 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, 2014.

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.

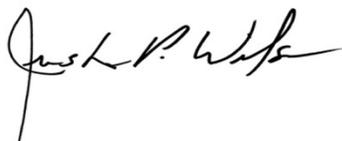
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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.

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

We have audited 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, 2014, and the related notes to the financial statements, which collectively comprise Houston County's basic financial statements. We issued our report thereon dated March 16, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

March 16, 2015

JPW/sb

Houston County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 140,029
National School Lunch Program	10.555	N/A	295,062 (4)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	47,195 (4)
Passed-through National Resources Conservation Service:			
ARRA - Emergency Watershed Protection Program	10.923	68-4741-3-015	94,705
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	1,729,250 (5)
Total U.S. Department of Agriculture			<u>\$ 2,306,241</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.unknown	N/A	\$ 386,546
Total U.S. Department of Defense			<u>\$ 386,546</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 905,739
Total U.S. Department of Housing and Urban Development			<u>\$ 905,739</u>
U.S. Department of Justice:			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 550
Total U.S. Department of Justice			<u>\$ 550</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	AERO-M13-108-00	\$ 140,861
Alcohol Open Container Requirements	20.607	Z-13-GHS149	3,188
National Priority Safety Programs	20.616	Z-14-GHS165	17,385
Total U.S. Department of Transportation			<u>\$ 161,434</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 322,382
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	383,026
Special Education - Preschool Grants	84.173	N/A	16,846
Career and Technical Education - Basic Grants to States	84.048	N/A	54,356
Improving Teacher Quality State Grants	84.367	N/A	52,268
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	117,301
Total U.S. Department of Education			<u>\$ 946,179</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	30510-00113-42	\$ 1,540
Total U.S. Election Assistance Commission			<u>\$ 1,540</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Direct Program:			
Drug-free Communities Support Program Grants	93.276	N/A	\$ 122,898
Passed-through State Department of Health:			
National Bioterrorism Hospital Preparedness Program	93.889	(3)	20,000
Total U.S. Department of Health and Human Services			\$ 142,898
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1979-DR-TN	\$ 9,813
Homeland Security Grant Program	97.067	EMW-2013-SS-00008	2,770
Total U.S. Department of Homeland Security			\$ 12,583
Total Expenditures of Federal Awards			\$ 4,863,710

State Grants		Contract Number	
ConnecTenn Grant - State Department of Education	N/A	(3)	\$ 3,935
Early Childhood Education - State Department of Education	N/A	(3)	310,630
Coordinated School Health - State Department of Education	N/A	(3)	50,646
Family Resource Center - State Department of Education	N/A	(3)	60,077
Safe Schools - State Department of Education	N/A	(3)	9,300
Statewide Student Management System - State Department of Education	N/A	(3)	3,614
Student Ticket Subsidy Grant - State Department of Education	N/A	(3)	2,420
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(3)	1,827
Preventive Health and Human Services - State Department of Health	N/A	GG-14-37783	24,035
Three Star Economic Development Grant - State Department of Economic and Community Development	N/A	(3)	7,497
Library Technology - Tennessee Secretary of State	N/A	(3)	7,736
Voting Equipment Grant - Tennessee Secretary of State	N/A	(3)	1,875
Litter Grant - State Department of Transportation	N/A	Z-13-LIT-042	26,562
Airport Maintenance Program - State Department of Transportation	N/A	AERM-14-374-00	6,700
Total State Grants			\$ 516,854

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (4) Total for CFDA No. 10.555 is \$342,257.
- (5) During the 2012-13 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. During the 2013-14 year, Houston received an additional loan of \$1,213,620. The county expended \$1,729,250 during the year ended June 30, 2014, and had an outstanding loan balance of \$6,226,770.

Houston County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-001	145	The General Debt Service Fund required material audit adjustments for proper financial statement presentation
2013-002	145	Amounts withheld from contractor payments were not deposited into an escrow account

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-004	146	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>
2013-005	147	Bank statements were not accurately reconciled with the general ledger
2013-006	148	The General Sessions Court execution docket trial balance did not reconcile with cash journal accounts

HOUSTON COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-008	149	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>
2013-009	150	Duties were not segregated adequately

HOUSTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Houston County 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), Section 1033 Excess Property Program (CFDA No. 12.UNKNOWN), Community Development Block Grants/State's Program (CFDA No. 14.228), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Houston County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The director of schools 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 2014-001

THE GENERAL DEBT SERVICE FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

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

At June 30, 2014, certain general ledger account balances in the General Debt Service Fund were not materially correct, and audit adjustments totaling \$1,073,505 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 2014-002

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. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. 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.

FINDING 2014-003

DRUG CONTROL FUND APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING
(Noncompliance Under *Government Auditing Standards*)

The budget and subsequent amendments approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated available funding by \$4,094. Sound budgetary principles dictate that appropriations be held within estimated available funding. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

OFFICE OF ROAD SUPERINTENDENT

FINDING 2014-004

EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in one of eight major appropriation categories (the legal level of control) of the Highway/Public Works Fund: Employee Benefits by \$10,582. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2014-005

A CASH SHORTAGE OF \$4,453.33 EXISTED IN THE GENERAL PURPOSE SCHOOL FUND

(Noncompliance Under *Government Auditing Standards*)

A review of payroll operations of the Office of Director of Schools disclosed several deficiencies, which resulted in a cash shortage totaling \$4,453.33 in the General Purpose School Fund. These deficiencies are due to the actions of the School Department's payroll clerk and the failure of management to provide adequate supervision of employees. These deficiencies are described below:

- A. The payroll clerk prepared all payroll checks for the department including her own checks; however, no supervisor reviewed and approved the payroll clerk's personal payroll checks. Employees at the School Department's central office are normally paid twice per month; however, in October 2013, the payroll clerk issued herself three payroll checks instead of two resulting in an overpayment of \$1,583.33. The receipt of the extra payroll check in October 2013 was corrected by the payroll clerk in June 2014 when she issued herself only one payroll check instead of the normal two checks. Therefore, the payroll clerk's total salary remained within budgeted amounts for the year ended June 30, 2014. Although this prepayment of salary is not part of the \$4,453.33 cash shortage amount, the payroll clerk did receive an unauthorized payroll advance of \$1,583.33 that was not repaid for over eight months.
- B. In July 2014, the payroll clerk again issued herself an extra payroll check resulting in an overpayment of \$1,583.33. Later in July 2014, the payroll clerk was transferred to the position of office manager, and other employees took over the payroll duties. School Department personnel informed us that in November 2014, they noticed the extra July 2014 payroll check, but were told by the former payroll clerk that she was due the extra amount because she had missed receiving one of her payroll checks in June. At this point, department personnel analyzed the former payroll clerk's payroll and determined she had actually been overpaid. The director of schools advised that they are currently in the process of recovering the \$1,583.33 overpayment by reducing the amount of the former payroll clerk's normal payroll check for the period December 2014 through June 2015. As of March 13, 2015, the department had recovered \$791.35 of the overpayment, leaving an outstanding cash shortage of \$791.98 from the extra compensation received in July 2014.
- C. The School Department had been ordered by the U.S. Bankruptcy Court to withhold \$717.50 semi-monthly from the former payroll clerk's income. The former payroll clerk failed to withhold the required amount from her paychecks four times during the period July 1, 2013, through June 30, 2014. However, the full amount ordered by the court continued to be remitted to the bankruptcy trustee on her behalf as if it had been withheld from her payroll checks. This resulted in a cash shortage in the General Purpose

School Fund of \$2,870 (four times \$717.50) at June 30, 2014, for the amounts remitted for the payroll clerk's garnishment that had not been withheld from her payroll checks. In July 2014, \$717.50 of this cash shortage was recovered since it was withheld from the extra payroll check noted above. This leaves an outstanding cash shortage of \$2,152.50 as of March 13, 2015, from the bankruptcy payments that were remitted but not withheld.

A summary of the outstanding cash shortage of \$4,453.33 is reflected in the following table:

Date	Description	Bankruptcy Garnishment	Excess Payroll	Total Cash Shortage
July 2013	Bankruptcy remitted, not withheld	\$ 717.50	\$ 0.00	\$ 717.50
Oct. 2013	Extra payroll check received	0.00	1,583.33	1,583.33
Oct. 2013	Bankruptcy remitted, not withheld	717.50	0.00	717.50
Dec. 2013	"	717.50	0.00	717.50
June 2014	"	717.50	0.00	717.50
June 2014	Earned payroll check not received	0.00	(1,583.33)	(1,583.33)
July 2014	Extra payroll check received	0.00	1,583.33	1,583.33
Total Cash Shortage		\$ 2,870.00	\$ 1,583.33	\$ 4,453.33
July 2014	Bankruptcy withheld, not remitted	\$ (717.50)	\$ 0.00	\$ (717.50)
Dec. 2014	Payroll reduced to recover extra pay	0.00	(226.10)	(226.10)
Jan. 2015	"	0.00	(226.10)	(226.10)
Feb. 2015	"	0.00	(226.10)	(226.10)
Mar. 2015	"	0.00	(113.05)	(113.05)
Total Cash Shortage as of March 13, 2015		\$ 2,152.50	\$ 791.98	\$ 2,944.48

This finding has been reviewed with the district attorney general.

RECOMMENDATION

The Board of Education should pursue collection of the cash shortage. Adequate supervision should be provided over all employees.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Houston County Schools will continue to review and implement procedures to insure proper internal controls to comply with the recommendation. As the employee has resigned, Houston County Schools will initiate a process to recover the assets at issue and will cooperate with law enforcement regarding any investigation and/or prosecution of this matter.

FINDING 2014-006

THE CASH SHORTAGE WAS NOT REPORTED CURRENTLY TO THE COMPTROLLER OF THE TREASURY

(Noncompliance Under *Governmental Auditing Standards*)

A portion of the payroll cash shortage and deficiencies noted in Finding 2014-005 was discovered by employees of the School Department and reported to the director of schools in November 2014. Employees had already determined the former payroll clerk had received an extra payroll check, and the clerk's subsequent checks were reduced to recover the amount. However, the Comptroller's Office was not informed of this cash shortage until January 20, 2015, when we questioned the director of schools about discrepancies we noted during the audit. Sections 8-4-501 through 8-4-505, *Tennessee Code Annotated*, require a person elected or appointed to any office of a public entity to notify the Comptroller of the Treasury, within a reasonable amount of time under the particular circumstances, but shall not under any circumstances exceed five working days, of any unlawful conduct including theft, forgery, credit card fraud, or any other act of unlawful taking, waste, or abuse of, or official misconduct, involving public money, property, or services.

RECOMMENDATION

The Office of Comptroller of the Treasury should be informed of any suspected unlawful taking of public money, property, or services within five days of becoming aware of the unlawful conduct.

MANAGEMENT'S RESPONSE – SCHOOL DEPARTMENT LEGAL COUNSEL

This firm represents the Houston County Schools. In that capacity, the director of schools asked me to provide a response to Finding 2014-006.

School personnel became aware of irregularities on November 14, 2014. At that time, the director of schools began an inquiry into the irregularities identified in the audit. The director of schools, in conjunction with other members of the administration, reviewed the available documents and called the Tennessee Department of Education to get guidance on these issues. These issues were discussed in detail with the employee at issue and other members of the payroll department. Ultimately, the director of schools did not believe, based upon the information available to her at that time, that the employee had engaged in “. . . any unlawful conduct, including theft, forgery, credit card fraud or any other act of unlawful taking, waste or abuse of or official misconduct involving public money, property, or services.” However, the employee was ultimately suspended without pay for the irregularities and made arrangements to repay the amounts paid to her.

Subsequent to the employee's suspension in November – a decision made only six days after the director of schools was made aware of the irregularities – the auditor met with the director to discuss payroll issues. During a meeting on January 20, 2015, the auditor informed the director of schools and her staff that there could be an issue of fraud or other unlawful acts related to the irregularities. Further, on February 9, 2015, the auditor met with the director of schools and informed her of issues related to a garnishment.

At the end of the audit, it was confirmed to the director of schools that it is likely the employee at issue engaged in fraud or other unlawful acts related to the irregularities identified. Immediately after this meeting, the employee resigned as an employee of the Houston County Schools. Further, the schools will initiate proceedings to recover the assets at issue and will cooperate with law enforcement regarding any investigation and/or prosecution of this matter.

The finding listed in section 2014-006 states that the Comptroller was not timely advised of these irregularities. However, as highlighted by the finding itself, the School Department should only report activity or actions that it feels is “. . . any unlawful conduct including theft, forgery, credit card fraud or any other act of unlawful taking, waste or abuse of or official misconduct involving public money, property, or services.” Clearly based upon the information available to the director of schools in November 2014, this did not indicate that the employee at issue had committed any intentional acts to deprive the governmental entity of funds or other valuable assets. Simply put, at the time the School Department did not feel that this met the definition of theft or other unlawful acts. Accordingly, to state in your finding that the Comptroller did not receive timely notice of unlawful acts or theft cannot be sustained as the inquiry made by the School Department did not indicate that fraud or theft was involved. While the School Department always considered this an important and serious issue, the realization that there was fraud or theft involved did not become clear until the auditor advised the director of schools and her staff. Further, at that time, the Comptroller’s Office, through its auditor, was fully aware of the situation and the irregularities.

The Houston County Schools appreciate the opportunity to respond to the draft audit report, specifically finding 2014-006. Based upon the explanation and response above, we would request that this finding be removed as it is not supportable by the facts of this situation.

AUDITOR’S COMMENT

The director of schools may not have believed that the employee had committed fraud or theft; however, the fact that a payroll clerk was suspended for “irregularities” and arrangements were made to recover a salary overpayment indicates that the department was aware there was sufficient cause to question whether the employee’s actions were intentional. It is not the responsibility of the director of schools to make a determination that fraud has actually occurred. In addition, the director was aware there were numerous other problems with the payroll deduction liability accounts and insurance benefits as described in Finding 2014-007. Details of the overpayment and other discrepancies were not disclosed to the Comptroller’s Office until we asked specific questions during the audit.

FINDING 2014-007

THE OFFICE HAD DEFICIENCIES IN ACCOUNTING FOR EMPLOYEE PAYROLL DEDUCTIONS AND BENEFITS

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

The following deficiencies were noted during our examination of the employee payroll deduction accounts, which can be attributed to a lack of internal controls and management oversight:

- A. General ledger payroll deduction accounts were not reconciled with payroll reports and payments in the General Purpose School and the School Federal Projects funds. As a result, unidentified balances accumulated in the liability accounts for most payroll deductions. Sound business practices dictate that payroll liability accounts should be reconciled with billings monthly. The failure to regularly reconcile payroll liability accounts is a significant deficiency that increases the risk errors will not be discovered and corrected in a timely manner.

- B. Payroll deductions were not remitted for insurance plans in a timely manner. The School Department withheld premiums through payroll deductions from employees participating in supplementary life insurance plans; however, these premiums were not remitted to the plan administrators for several months. Because of the failure to remit premiums on a current basis, numerous employees' individual policies lapsed. In addition, the Board of Education provides each certified employee with \$10,000 of life insurance under a group policy. Premiums for this insurance were also not remitted, which resulted in the group policy lapsing as well. School Department employees found numerous signed checks in the payroll clerk's files that had been issued for premium payments but never mailed to the insurance plan administrators. These checks were dated from November 2011 to March 2014. A review of other outstanding checks and information provided by the plan administrators revealed that premium payments had been made inconsistently for over two years. In addition, the plan administrator of the group life insurance provided a letter that had been provided to the School Department in June 2013, advising them that their policy would be cancelled if premium payments were not received. When the director of schools questioned the payroll clerk why these premiums had not been remitted, she could not provide an answer and claimed that she did not know anything about the situation. Sound business practices dictate that all employee payroll deductions and insurance premiums be remitted currently. School Department personnel are currently working to reconcile the payroll deductions with the premiums remitted, and the various insurance policies have been fully paid and reinstated.

- C. An employee of the School Department died in July 2013, during the period the insurance policies had lapsed. The family was therefore unable to collect on the \$10,000 group policy provided by the department and an additional \$20,000 individual policy taken out by the employee. The director of schools

was unaware of the problem until it was brought to her attention by one of the plan administrators in October 2014, after an attorney was retained by the employee's family. Since the failure to remit the premiums was due to the actions of the payroll clerk, the amount of the employee's life insurance was eventually paid to his family by the School Department's liability insurance carrier.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly. All payroll deductions and insurance premiums should be remitted on a timely basis.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Houston County Schools will continue to review and implement procedures to insure proper internal controls to comply with the recommendation.

FINDING 2014-008

EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in the Transfers Out major appropriation category (the legal level of control) of the General Purpose School Fund by \$100,000. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency exists because management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Houston County Schools will comply with the recommendation.

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

FINDING 2014-009

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 2014-010

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 ledger journal entries to balance the accounts. However, these journal entries totaling \$371 and \$100 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.

FINDING 2014-011

**THE GENERAL SESSIONS AND JUVENILE COURTS
EXECUTION DOCKET TRIAL BALANCE DID NOT
RECONCILE WITH CASH JOURNAL ACCOUNTS**
(Noncompliance Under *Government Auditing Standards*)

At June 30, 2014, the general sessions and juvenile courts 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 \$12,458 in General Sessions and Juvenile Courts, 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.

HOUSTON COUNTY

FINDING 2014-012

**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>
2014-001, 2013-001, 12.01	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 DIRECTOR OF SCHOOLS; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER OF DEEDS; AND SHERIFF

FINDING 2014-013

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 Director of Schools; 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 – DIRECTOR OF SCHOOLS

Houston County Schools will continue to review and implement procedures to insure proper internal controls to comply with the recommendation.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below 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.

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. 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.

**HOUSTON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014**

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