

ANNUAL FINANCIAL REPORT
HOUSTON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



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FOR THE YEAR ENDED JUNE 30, 2015

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

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Summary of Audit Findings

Annual Financial Report
Houston County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2015.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

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

OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK

- ◆ Bank statements were not accurately reconciled with the general ledgers.
 - ◆ The General Sessions and Juvenile Courts execution docket trial balances did not reconcile with cash journal accounts.
-

OFFICE OF SHERIFF

- ◆ The office had accounting deficiencies.
-

**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, 2015

Officials

George Clark, County Mayor
George Dew, 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
Kevin Sugg, 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
Howard Spurgeon
Larry Sykes

Board of Education

Kinney Spears, Chairman
Amanda Fansler
Charlie Ligon
Jeff Mathis

Robert Mitchell
Carlisle Mitchum, III
Amanda Popp

Audit Committee

Martha Greenfield, Chairman
Brant Lamastus

Howard Spurgeon

FINANCIAL SECTION



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

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Houston County, Tennessee, as of and for the year ended June 30, 2015, 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. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Houston County Community Hospital, is based solely on the report 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2015, 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 Principle

As described in Note V.B., Houston County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.8. to the financial statements, which describes a restatement decreasing the discretely presented Houston County School Department's beginning net position by \$1,747,790 on the Government-wide Statement of Activities. This restatement was necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 schedules of school contributions, schedule of school's proportionate share of the net pension asset, and schedule of funding progress - other postemployment benefits plan on pages 91-95 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.

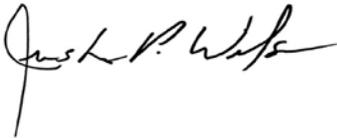
In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Houston County Department (a discretely presented component unit), 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 February 16, 2016, 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

February 16, 2016

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Houston County, Tennessee
Statement of Net Position
June 30, 2015

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Houston County School Department
<u>ASSETS</u>				
Cash	\$ 8,212	\$ 1,799	\$ 10,011	\$ 0
Equity in Pooled Cash and Investments	3,425,103	0	3,425,103	4,335,808
Inventories	0	72,666	72,666	0
Accounts Receivable	900,174	1,837,767	2,737,941	0
Allowance for Uncollectibles	(539,777)	(864,014)	(1,403,791)	0
Due from Other Governments	468,561	0	468,561	273,439
Property Taxes Receivable	3,504,814	0	3,504,814	698,327
Allowance for Uncollectible Property Taxes	(130,317)	0	(130,317)	(25,966)
Prepaid Items	0	16,189	16,189	0
Accrued Interest Receivable	0	0	0	12,431
Cash Shortage	0	0	0	2,153
Notes Receivable - Long-term	64,926	0	64,926	0
Net Pension Asset - Cost-sharing Plan	0	0	0	22,213
Capital Assets:				
Assets Not Depreciated:				
Land	974,515	214,000	1,188,515	333,220
Construction in Progress	2,640,408	46,329	2,686,737	5,000
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	4,463,589	1,346,545	5,810,134	7,187,415
Infrastructure	1,584,361	0	1,584,361	0
Other Capital Assets	1,790,478	348,994	2,139,472	1,168,923
Total Assets	<u>\$ 19,155,047</u>	<u>\$ 3,020,275</u>	<u>\$ 22,175,322</u>	<u>\$ 14,012,963</u>

(Continued)

Exhibit A

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Houston County School Department
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Changes in Experience	\$ 0	\$ 0	\$ 0	\$ 53,929
Pension Other Deferrals	0	0	0	21,741
Pension Contributions After Measurement Date	0	0	0	462,782
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 538,452</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 51,580	\$ 540,921	\$ 592,501	\$ 97,534
Payroll Deductions Payable	560	96,471	97,031	291,560
Cash Overdraft	0	39,265	39,265	0
Contracts Payable	201,138	0	201,138	0
Due to State of Tennessee	526	0	526	0
Accrued Interest Payable	84,678	0	84,678	0
Noncurrent Liabilities:				
Due Within One Year	7,790,943	7,408	7,798,351	0
Due in More Than One Year	9,184,173	0	9,184,173	308,527
Total Liabilities	<u>\$ 17,313,598</u>	<u>\$ 684,065</u>	<u>\$ 17,997,663</u>	<u>\$ 697,621</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 3,188,691	\$ 0	\$ 3,188,691	\$ 635,340
Pension Changes in Investment Earnings	0	0	0	1,830,246
Total Deferred Inflows of Resources	<u>\$ 3,188,691</u>	<u>\$ 0</u>	<u>\$ 3,188,691</u>	<u>\$ 2,465,586</u>

(Continued)

Exhibit A

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

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Houston County School Department
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 1,601,416	\$ 1,948,460	\$ 3,549,876	\$ 8,694,558
Restricted for:				
General Government	255,619	0	255,619	0
Finance	3,091	0	3,091	0
Administration of Justice	22,579	0	22,579	0
Public Safety	57,139	0	57,139	0
Public Health and Welfare	187,583	1,799	189,382	0
Highway/Public Works	668,379	0	668,379	0
Capital Outlay	97,080	0	97,080	0
Debt Service	1,319,653	0	1,319,653	0
Education	0	0	0	26,268
Operation of Non-instructional Services	0	0	0	214,404
Unrestricted	(5,559,781)	385,951	(5,173,830)	2,452,978
Total Net Position	\$ (1,347,242)	\$ 2,336,210	\$ 988,968	\$ 11,388,208

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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Unit
					Governmental Activities	Business- type Activities	Total	Houston County School Department
Primary Government:								
Governmental Activities:								
General Government	\$ 1,034,804	\$ 96,081	\$ 68,259	\$ 0	\$ (870,464)	\$ 0	\$ (870,464)	\$ 0
Finance	435,831	211,183	0	0	(224,648)	0	(224,648)	0
Administration of Justice	385,184	122,933	13,500	0	(248,751)	0	(248,751)	0
Public Safety	2,471,700	137,069	327,068	126,842	(1,880,721)	0	(1,880,721)	0
Public Health and Welfare	1,461,388	556,084	94,488	0	(810,816)	0	(810,816)	0
Social, Cultural, and Recreational Services	194,494	166	83,200	0	(111,128)	0	(111,128)	0
Agriculture and Natural Resources	47,277	0	0	0	(47,277)	0	(47,277)	0
Highway/Public Works	1,347,001	4,956	1,478,888	1,169,489	1,306,332	0	1,306,332	0
Interest on Long-term Debt	197,478	0	474,206	0	276,728	0	276,728	0
Total Governmental Activities	\$ 7,575,157	\$ 1,128,472	\$ 2,539,609	\$ 1,296,331	\$ (2,610,745)	\$ 0	\$ (2,610,745)	\$ 0
Business-type Activities:								
Houston County Community Hospital	\$ 5,710,852	\$ 5,239,877	\$ 0	\$ 330,709	\$ 0	\$ (140,266)	\$ (140,266)	\$ 0
Total Primary Government	\$ 13,286,009	\$ 6,368,349	\$ 2,539,609	\$ 1,627,040	\$ (2,610,745)	\$ (140,266)	\$ (2,751,011)	\$ 0
Component Unit:								
Houston County School Department	\$ 11,747,977	\$ 287,577	\$ 1,520,752	\$ 0	\$ 0	\$ 0	\$ 0	\$ (9,939,648)
Total Component Unit	\$ 11,747,977	\$ 287,577	\$ 1,520,752	\$ 0	\$ 0	\$ 0	\$ 0	\$ (9,939,648)

(Continued)

Exhibit B

Houston County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Houston County School Department
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 3,374,947	\$ 0	\$ 3,374,947	\$ 678,812
Property Taxes Levied for Debt Service					25,614	0	25,614	0
Local Option Sales Taxes					92,751	0	92,751	566,396
Payments in-Lieu-of Taxes - Local Utilities					42,260	0	42,260	0
Wheel Tax					326,168	0	326,168	0
Litigation Tax					18,214	0	18,214	0
Business Tax					23,113	0	23,113	25,179
Wholesale Beer Tax					26,858	0	26,858	0
Other Local Taxes					19,222	0	19,222	825
Grants and Contributions Not Restricted to Specific Programs					202,673	10,065	212,738	8,308,251
Unrestricted Investment Income					0	0	0	25,577
Miscellaneous					13,997	0	13,997	49,508
Pension Income					0	0	0	15,427
Total General Revenues					\$ 4,165,817	\$ 10,065	\$ 4,175,882	\$ 9,669,975
Transfers					\$ (953,865)	\$ 953,865	\$ 0	\$ 0
Change in Net Position					\$ 601,207	\$ 823,664	\$ 1,424,871	\$ (269,673)
Net Position, July 1, 2014					(1,948,449)	1,512,546	(435,903)	13,405,671
Restatement - Pension Liability (See Note I.D.8)					0	0	0	(1,747,790)
Net Position, June 30, 2015					\$ (1,347,242)	\$ 2,336,210	\$ 988,968	\$ 11,388,208

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, 2015

	Major Funds				
	General	Special Purpose	Highway / Public Works	General Debt Service	General Capital Projects
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	0
Equity in Pooled Cash and Investments	601,672	245,548	710,431	1,666,246	66,884
Accounts Receivable	899,809	0	231	6	0
Allowance for Uncollectibles	(539,777)	0	0	0	0
Due from Other Governments	39,702	0	237,874	12	185,080
Due from Other Funds	0	0	0	75	0
Property Taxes Receivable	2,488,362	790,559	13,176	1,901	0
Allowance for Uncollectible Property Taxes	(92,090)	(29,395)	(490)	(504)	0
Notes Receivable - Long-term	0	0	0	64,926	0
Total Assets	\$ 3,397,678	\$ 1,006,712	\$ 961,222	\$ 1,732,662	\$ 251,964
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 51,580	\$ 0	0
Payroll Deductions Payable	0	0	560	0	0
Contracts Payable	0	0	0	0	185,080
Due to Other Funds	0	75	0	0	0
Due to State of Tennessee	313	0	0	0	0
Total Liabilities	\$ 313	\$ 75	\$ 52,140	\$ 0	\$ 185,080
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 2,265,649	\$ 719,253	\$ 11,988	\$ 0	0
Deferred Delinquent Property Taxes	108,609	34,848	580	1,162	0
Other Deferred/Unavailable Revenue	319,161	0	122,659	0	0
Total Deferred Inflows of Resources	\$ 2,693,419	\$ 754,101	\$ 135,227	\$ 1,162	\$ 0

(Continued)

Exhibit C-1

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

	Major Funds				
	General	Special Purpose	Highway / Public Works	General Debt Service	General Capital Projects
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 4,983	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for Finance	3,091	0	0	0	0
Restricted for Administration of Justice	22,579	0	0	0	0
Restricted for Public Safety	26,759	0	0	0	0
Restricted for Public Health and Welfare	0	143,442	0	0	0
Restricted for Other Operations	246,958	0	0	0	0
Restricted for Highways/Public Works	0	0	566,881	0	0
Restricted for Capital Outlay	0	0	0	0	0
Restricted for Debt Service	0	0	0	1,398,637	0
Restricted for Capital Projects	0	0	0	0	66,884
Committed:					
Committed for General Government	0	0	0	0	0
Committed for Finance	0	0	0	0	0
Committed for Public Health and Welfare	0	109,094	0	0	0
Committed for Highways/Public Works	0	0	206,974	0	0
Committed for Debt Service	0	0	0	332,863	0
Unassigned	399,576	0	0	0	0
Total Fund Balances	\$ 703,946	\$ 252,536	\$ 773,855	\$ 1,731,500	\$ 66,884
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,397,678	\$ 1,006,712	\$ 961,222	\$ 1,732,662	\$ 251,964

(Continued)

Exhibit C-1

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

	<u>Nonmajor Funds</u>		<u>Total Governmental Funds</u>
	Other Govern- mental Funds		Governmental Funds
<u>ASSETS</u>			
Cash	\$ 8,212	\$	8,212
Equity in Pooled Cash and Investments	134,322		3,425,103
Accounts Receivable	128		900,174
Allowance for Uncollectibles	0		(539,777)
Due from Other Governments	5,893		468,561
Due from Other Funds	0		75
Property Taxes Receivable	210,816		3,504,814
Allowance for Uncollectible Property Taxes	(7,838)		(130,317)
Notes Receivable - Long-term	0		64,926
	<hr/>		<hr/>
Total Assets	\$ 351,533	\$	7,701,771
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$	51,580
Payroll Deductions Payable	0		560
Contracts Payable	16,058		201,138
Due to Other Funds	0		75
Due to State of Tennessee	213		526
	<hr/>		<hr/>
Total Liabilities	\$ 16,271	\$	253,879
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 191,801	\$	3,188,691
Deferred Delinquent Property Taxes	9,293		154,492
Other Deferred/Unavailable Revenue	5,637		447,457
	<hr/>		<hr/>
Total Deferred Inflows of Resources	\$ 206,731	\$	3,790,640

(Continued)

Exhibit C-1

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

	<u>Nonmajor Funds</u>		<u>Total Governmental Funds</u>
	Other	Govern- mental Funds	
<u>FUND BALANCES</u>			
Restricted:			
Restricted for General Government	\$	0	\$ 4,983
Restricted for Finance		0	3,091
Restricted for Administration of Justice		0	22,579
Restricted for Public Safety		30,380	57,139
Restricted for Public Health and Welfare		0	143,442
Restricted for Other Operations		0	246,958
Restricted for Highways/Public Works		0	566,881
Restricted for Capital Outlay		30,196	30,196
Restricted for Debt Service		0	1,398,637
Restricted for Capital Projects		0	66,884
Committed:			
Committed for General Government		630	630
Committed for Finance		7,602	7,602
Committed for Public Health and Welfare		59,723	168,817
Committed for Highways/Public Works		0	206,974
Committed for Debt Service		0	332,863
Unassigned		0	399,576
Total Fund Balances	\$	128,531	\$ 3,657,252
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$	351,533	\$ 7,701,771

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, 2015

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)		\$	3,657,252
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	974,515	
Add: construction in progress		2,640,408	
Add: buildings and improvements net of accumulated depreciation		4,463,589	
Add: infrastructure net of accumulated depreciation		1,584,361	
Add: other capital assets net of accumulated depreciation		<u>1,790,478</u>	11,453,351
(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	\$	(1,657,754)	
Less: other loans payable		(14,614,679)	
Less: bonds payable		(73,097)	
Less: compensated absences payable		(17,209)	
Less: landfill closure/postclosure care costs		(612,377)	
Less: accrued interest on notes, other loans, and bonds		<u>(84,678)</u>	(17,059,794)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>601,949</u>
Net position of governmental activities (Exhibit A)		\$	<u>(1,347,242)</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, 2015

	Major Funds				
	General	Special Purpose	Highway / Public Works	General Debt Service	General Capital Projects
<u>Revenues</u>					
Local Taxes	\$ 2,600,201	\$ 758,048	\$ 13,101	\$ 357,319	\$ 0
Licenses and Permits	2,407	0	0	0	0
Fines, Forfeitures, and Penalties	31,301	0	0	0	0
Charges for Current Services	669,708	0	0	0	0
Other Local Revenues	71,693	0	6,350	0	0
Fees Received from County Officials	254,814	0	0	0	0
State of Tennessee	292,942	78,379	1,594,109	59,647	0
Federal Government	138,394	14,800	170,575	0	932,798
Other Governments and Citizens Groups	167,136	0	0	474,206	89,538
Total Revenues	\$ 4,228,596	\$ 851,227	\$ 1,784,135	\$ 891,172	\$ 1,022,336
<u>Expenditures</u>					
Current:					
General Government	\$ 579,436	\$ 0	\$ 0	\$ 0	\$ 0
Finance	310,991	0	0	0	0
Administration of Justice	334,090	0	0	0	0
Public Safety	1,277,631	0	0	0	0
Public Health and Welfare	820,631	330,709	0	0	0
Social, Cultural, and Recreational Services	179,983	0	0	0	0
Agriculture and Natural Resources	45,938	0	0	0	0
Other Operations	673,962	15,268	0	0	955,452
Highways	0	0	2,232,328	0	0
Debt Service:					
Principal on Debt	0	0	22,900	940,477	0
Interest on Debt	9,395	0	7,044	178,385	0
Other Debt Service	0	0	0	7,732	0

(Continued)

Exhibit C-3

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

	Major Funds				
	General	Special Purpose	Highway / Public Works	General Debt Service	General Capital Projects
<u>Expenditures (Cont.)</u>					
Capital Projects	\$ 45,762	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenditures	\$ 4,277,819	\$ 345,977	\$ 2,262,272	\$ 1,126,594	\$ 955,452
Excess (Deficiency) of Revenues Over Expenditures	\$ (49,223)	\$ 505,250	\$ (478,137)	\$ (235,422)	\$ 66,884
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 137,000	\$ 158,730	\$ 100,000	\$ 0
Other Loans Issued	0	330,709	0	0	0
Insurance Recovery	32,862	0	1,832	0	0
Transfers In	0	0	0	113,758	0
Transfers Out	(311,200)	(756,423)	0	0	0
Total Other Financing Sources (Uses)	\$ (278,338)	\$ (288,714)	\$ 160,562	\$ 213,758	\$ 0
Net Change in Fund Balances	\$ (327,561)	\$ 216,536	\$ (317,575)	\$ (21,664)	\$ 66,884
Fund Balance, July 1, 2014	1,031,507	36,000	1,091,430	1,753,164	0
Fund Balance, June 30, 2015	\$ 703,946	\$ 252,536	\$ 773,855	\$ 1,731,500	\$ 66,884

(Continued)

Exhibit C-3

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

	Nonmajor Funds	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 209,003		\$ 3,937,672
Licenses and Permits	0		2,407
Fines, Forfeitures, and Penalties	3,786		35,087
Charges for Current Services	69,953		739,661
Other Local Revenues	1,085		79,128
Fees Received from County Officials	0		254,814
State of Tennessee	46,182		2,071,259
Federal Government	59,958		1,316,525
Other Governments and Citizens Groups	0		730,880
Total Revenues	<u>\$ 389,967</u>		<u>\$ 9,167,433</u>
<u>Expenditures</u>			
Current:			
General Government	\$ 0		\$ 579,436
Finance	64,094		375,085
Administration of Justice	0		334,090
Public Safety	7,070		1,284,701
Public Health and Welfare	277,918		1,429,258
Social, Cultural, and Recreational Services	0		179,983
Agriculture and Natural Resources	0		45,938
Other Operations	35,792		1,680,474
Highways	0		2,232,328
Debt Service:			
Principal on Debt	0		963,377
Interest on Debt	0		194,824
Other Debt Service	0		7,732

(Continued)

Exhibit C-3

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

	Nonmajor Funds	Other Govern- mental Funds	Total Governmental Funds
<u>Expenditures (Cont.)</u>			
Capital Projects	\$ 30,023	\$ 75,785	
Total Expenditures	\$ 414,897	\$ 9,383,011	
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (24,930)	 \$ (215,578)	
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 0	\$ 395,730	
Other Loans Issued	0	330,709	
Insurance Recovery	0	34,694	
Transfers In	0	113,758	
Transfers Out	0	(1,067,623)	
Total Other Financing Sources (Uses)	\$ 0	\$ (192,732)	
 Net Change in Fund Balances	 \$ (24,930)	 \$ (408,310)	
Fund Balance, July 1, 2014	153,461	4,065,562	
 Fund Balance, June 30, 2015	 \$ 128,531	 \$ 3,657,252	

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, 2015

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)		\$ (408,310)
<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	\$ 1,403,511	
Less: current-year depreciation expense	<u>(578,109)</u>	825,402
<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, 2015	\$ 601,949	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(639,780)</u>	(37,831)
<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	\$ (395,730)	
Less: other loan proceeds	(330,709)	
Add: principal payments on notes	393,305	
Add: principal payments on other loans	544,000	
Add: principal payments on bonds	<u>26,072</u>	236,938
<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	\$ (2,654)	
Change in compensated absences payable	(2,991)	
Change in landfill closure/postclosure care costs	<u>(9,347)</u>	(14,992)
Change in net position of governmental activities (Exhibit B)		<u>\$ 601,207</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,600,201	\$ 2,538,055	\$ 2,508,055	\$ 92,146
Licenses and Permits	2,407	2,500	2,500	(93)
Fines, Forfeitures, and Penalties	31,301	33,300	33,300	(1,999)
Charges for Current Services	669,708	528,800	448,800	220,908
Other Local Revenues	71,693	57,000	59,500	12,193
Fees Received from County Officials	254,814	237,000	237,000	17,814
State of Tennessee	292,942	352,600	659,997	(367,055)
Federal Government	138,394	10,000	123,985	14,409
Other Governments and Citizens Groups	167,136	161,281	199,281	(32,145)
Total Revenues	\$ 4,228,596	\$ 3,920,536	\$ 4,272,418	\$ (43,822)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 57,392	\$ 49,025	\$ 57,610	\$ 218
Board of Equalization	542	1,748	1,748	1,206
Budget and Finance Committee	6,428	5,543	6,531	103
Other Boards and Committees	16,059	12,823	16,073	14
County Mayor/Executive	145,790	145,891	147,306	1,516
County Attorney	19,138	19,788	19,788	650
Election Commission	139,170	165,003	165,003	25,833
Register of Deeds	91,968	92,377	92,377	409
Development	1,715	0	70,000	68,285
Planning	10,798	10,965	10,965	167
Building	950	7,500	7,500	6,550
County Buildings	70,157	81,191	81,191	11,034
Other General Administration	19,329	21,000	21,000	1,671
<u>Finance</u>				
Central Services	16,192	16,448	16,448	256
Property Assessor's Office	90,284	90,804	90,704	420
Reappraisal Program	7,093	8,366	8,366	1,273
County Trustee's Office	114,109	117,752	117,852	3,743
County Clerk's Office	77,640	90,061	90,061	12,421
Data Processing	3,173	0	3,180	7
Other Finance	2,500	0	2,500	0
<u>Administration of Justice</u>				
Circuit Court	114,687	139,886	139,886	25,199
General Sessions Judge	59,633	59,714	59,714	81
Chancery Court	95,786	96,150	96,150	364
Juvenile Court	47,262	50,741	50,741	3,479
District Attorney General	2,585	2,585	2,585	0
Judicial Commissioners	14,137	14,239	14,239	102
Other Administration of Justice	0	1,097	1,097	1,097
<u>Public Safety</u>				
Sheriff's Department	460,261	470,189	468,191	7,930
Special Patrols	35,280	11,457	43,942	8,662
Drug Enforcement	2,885	3,000	3,000	115
Administration of the Sexual Offender Registry	100	2,000	2,000	1,900
Jail	493,090	482,440	508,437	15,347
Fire Prevention and Control	77,955	87,173	87,173	9,218

(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>				
Rural Fire Protection	\$ 1,368	\$ 7,408	\$ 8,371	\$ 7,003
Other Emergency Management	190,760	205,114	205,114	14,354
County Coroner/Medical Examiner	15,932	15,100	15,932	0
<u>Public Health and Welfare</u>				
Local Health Center	41,145	46,315	46,845	5,700
Ambulance/Emergency Medical Services	677,657	687,042	979,334	301,677
Maternal and Child Health Services	0	22,506	0	0
Other Local Health Services	41,285	27,160	72,773	31,488
Regional Mental Health Center	27,968	34,674	34,674	6,706
Sanitation Education/Information	32,576	33,700	33,700	1,124
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	48,890	48,890	48,890	0
Libraries	110,415	119,751	120,951	10,536
Parks and Fair Boards	1,178	0	2,700	1,522
Other Social, Cultural, and Recreational	19,500	35,400	35,400	15,900
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	35,436	36,860	36,860	1,424
Forest Service	2,037	1,500	2,037	0
Soil Conservation	8,465	11,702	11,702	3,237
<u>Other Operations</u>				
Tourism	23,577	51,486	51,486	27,909
Tourism-resort District	128,446	140,000	140,800	12,354
Other Economic and Community Development	70,431	91,970	91,970	21,539
Airport	31,946	56,000	57,380	25,434
Veterans' Services	20,431	19,736	20,736	305
Other Charges	46,301	50,000	50,300	3,999
Contributions to Other Agencies	1,500	2,500	2,500	1,000
Employee Benefits	202,622	242,000	238,605	35,983
Payments to Cities	6,910	10,000	10,000	3,090
Miscellaneous	141,798	170,336	172,531	30,733
<u>Support Services</u>				
Health Services	0	400,000	0	0
<u>Principal on Debt</u>				
General Government	0	396,921	0	0
<u>Interest on Debt</u>				
General Government	9,395	9,526	12,000	2,605
<u>Capital Projects</u>				
General Administration Projects	35,762	12,000	52,000	16,238
Public Health and Welfare Projects	0	100,000	100,000	100,000
Social, Cultural, and Recreation Projects	10,000	10,000	10,000	0
Total Expenditures	\$ 4,277,819	\$ 5,452,553	\$ 5,168,949	\$ 891,130
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (49,223)	\$ (1,532,017)	\$ (896,531)	\$ 847,308
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 496,921	\$ 100,000	\$ (100,000)

(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>Other Financing Sources (Uses) (Cont.)</u>				
Insurance Recovery	\$ 32,862	\$ 0	\$ 40,000	\$ (7,138)
Transfers In	0	400,000	400,000	(400,000)
Transfers Out	(311,200)	0	(400,000)	88,800
Total Other Financing Sources	<u>\$ (278,338)</u>	<u>\$ 896,921</u>	<u>\$ 140,000</u>	<u>\$ (418,338)</u>
Net Change in Fund Balance	\$ (327,561)	\$ (635,096)	\$ (756,531)	\$ 428,970
Fund Balance, July 1, 2014	<u>1,031,507</u>	<u>862,037</u>	<u>862,037</u>	<u>169,470</u>
Fund Balance, June 30, 2015	<u>\$ 703,946</u>	<u>\$ 226,941</u>	<u>\$ 105,506</u>	<u>\$ 598,440</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 758,048	\$ 714,000	\$ 1,096,000	\$ (337,952)
State of Tennessee	78,379	14,800	0	78,379
Federal Government	14,800	1,259,721	14,800	0
Total Revenues	<u>\$ 851,227</u>	<u>\$ 1,988,521</u>	<u>\$ 1,110,800</u>	<u>\$ (259,573)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Local Health Services	\$ 330,709	\$ 1,559,721	\$ 1,349,941	\$ 1,019,232
<u>Other Operations</u>				
Other Charges	15,268	0	15,350	82
<u>Support Services</u>				
Health Services	0	0	357	357
Total Expenditures	<u>\$ 345,977</u>	<u>\$ 1,559,721</u>	<u>\$ 1,365,648</u>	<u>\$ 1,019,671</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 505,250</u>	<u>\$ 428,800</u>	<u>\$ (254,848)</u>	<u>\$ 760,098</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 137,000	\$ 0	\$ 137,000	\$ 0
Other Loans Issued	330,709	0	1,259,721	(929,012)
Transfers In	0	1,000,000	1,000,000	(1,000,000)
Transfers Out	(756,423)	(1,400,000)	(2,156,423)	1,400,000
Total Other Financing Sources	<u>\$ (288,714)</u>	<u>\$ (400,000)</u>	<u>\$ 240,298</u>	<u>\$ (529,012)</u>
Net Change in Fund Balance	\$ 216,536	\$ 28,800	\$ (14,550)	\$ 231,086
Fund Balance, July 1, 2014	<u>36,000</u>	<u>36,075</u>	<u>36,075</u>	<u>(75)</u>
Fund Balance, June 30, 2015	<u>\$ 252,536</u>	<u>\$ 64,875</u>	<u>\$ 21,525</u>	<u>\$ 231,011</u>

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

Exhibit C-7

Houston County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 13,101	\$ 14,879	\$ 14,879	\$ (1,778)
Fines, Forfeitures, and Penalties	0	200	200	(200)
Other Local Revenues	6,350	16,000	16,000	(9,650)
State of Tennessee	1,594,109	1,939,653	1,939,653	(345,544)
Federal Government	170,575	298,300	355,300	(184,725)
Total Revenues	\$ 1,784,135	\$ 2,269,032	\$ 2,326,032	\$ (541,897)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 155,174	\$ 172,548	\$ 173,283	\$ 18,109
Highway and Bridge Maintenance	1,040,232	1,321,300	1,366,300	326,068
Operation and Maintenance of Equipment	175,526	226,400	231,400	55,874
Other Charges	57,782	57,550	70,647	12,865
Employee Benefits	238,341	298,300	299,300	60,959
Capital Outlay	565,273	767,737	920,467	355,194
<u>Principal on Debt</u>				
Highways and Streets	22,900	22,214	22,900	0
<u>Interest on Debt</u>				
Highways and Streets	7,044	7,730	7,044	0
Total Expenditures	\$ 2,262,272	\$ 2,873,779	\$ 3,091,341	\$ 829,069
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (478,137)	\$ (604,747)	\$ (765,309)	\$ 287,172
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 158,730	\$ 0	\$ 158,730	\$ 0
Insurance Recovery	1,832	0	1,832	0
Total Other Financing Sources	\$ 160,562	\$ 0	\$ 160,562	\$ 0
Net Change in Fund Balance	\$ (317,575)	\$ (604,747)	\$ (604,747)	\$ 287,172
Fund Balance, July 1, 2014	1,091,430	1,083,834	1,083,834	7,596
Fund Balance, June 30, 2015	\$ 773,855	\$ 479,087	\$ 479,087	\$ 294,768

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, 2015

	<u>Business-type Activities - Major Fund</u>
	<u>Houston County Community Hospital</u>
<u>ASSETS</u>	
Current Assets:	
Restricted Cash	\$ 1,799
Inventories	72,666
Accounts Receivable	1,837,767
Allowance for Uncollectibles	(864,014)
Prepaid Items	16,189
Total Current Assets	<u>\$ 1,064,407</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 214,000
Construction in Progress	46,329
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	1,346,545
Other Capital Assets	348,994
Total Noncurrent Assets	<u>\$ 1,955,868</u>
Total Assets	<u>\$ 3,020,275</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 540,921
Accrued Payroll	96,471
Cash Overdraft	39,265
Capital Leases Payable - Current	7,408
Total Liabilities	<u>\$ 684,065</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 1,948,460
Restricted for Public Health and Welfare	1,799
Unrestricted	<u>385,951</u>
Total Net Position	<u>\$ 2,336,210</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, 2015

	Business-type Activities - Major Fund
	<u>Houston County Community Hospital</u>
<u>Operating Revenues</u>	
Patient Service Revenue	\$ 12,861,480
Provision for Contractual Adjustments	(7,787,342)
Provision for Uncollectible Accounts	(999,790)
Other Operating Revenue	1,165,529
Total Operating Revenues	<u>\$ 5,239,877</u>
<u>Operating Expenses</u>	
Salaries and Wages	\$ 2,647,209
Professional Fees	688,318
Supplies and Other	593,876
Purchased Services	705,697
Employee Benefits	329,574
Depreciation	132,333
Utilities	133,168
Corporate Management Fees	21,000
Repairs and Maintenance	136,423
Contract Labor	96,861
Other Operating Expenses	81,067
Rent	87,210
Taxes and Insurance	51,220
Total Operating Expenses	<u>\$ 5,703,956</u>
Operating Income (Loss)	<u>\$ (464,079)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Grant Revenue	\$ 10,065
Interest Expense	(6,896)
Total Nonoperating Revenues (Expenses)	<u>\$ 3,169</u>
Income (Loss) Before Transfers	\$ (460,910)
Capital Contributions, Net	330,709
Transfers In	1,067,623
Transfers Out	(113,758)
Change in Net Position	<u>\$ 823,664</u>
Net Position, July 1, 2014	<u>1,512,546</u>
Net Position, June 30, 2015	<u>\$ 2,336,210</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, 2015

	Business-type Activities - Major Fund
	Houston County Community Hospital
	<hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from and on Behalf of Patients	\$ 4,459,844
Payments to Suppliers and Contractors	(2,588,998)
Payments to Employees	(2,970,811)
Other Receipts and Payments	1,280,027
Net Cash Provided By (Used In) Operating Activities	<u>\$ 180,062</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Interest Paid on Capital Lease Obligations	\$ (6,896)
Repayment of Advances from Other Funds	(960,317)
Purchase of Capital Assets	(478,338)
Payments of Capital Lease Obligations	(27,878)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (1,473,429)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants	\$ 10,065
Contributions	284,380
Transfers from Other Funds	1,067,623
Transfers to Other Funds	(113,758)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 1,248,310</u>
Net Increase (Decrease) in Cash	\$ (45,057)
Cash, July 1, 2014	<u>45,057</u>
Cash, June 30, 2015	<u><u>\$ 0</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (464,079)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	132,332
Provision for Bad Debts	999,790
Loss on disposal of property and equipment	1,113
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	385,497

(Continued)

Exhibit D-3

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

	<u>Business-type Activities - Major Fund Houston County Community Hospital</u>
<u>Provided By (Used In) Operating Activities (Cont.)</u>	
(Increase) Decrease in Inventories	(2,916)
(Increase) Decrease in Restricted Cash	113,385
(Increase) Decrease in Prepaid Items	\$ 9,136
Increase (Decrease) in Accrued Payroll	5,972
Increase (Decrease) in Accounts Payable	52,550
Increase (Decrease) in Cash Overdraft	(71,931)
Increase (Decrease) in Advances Payable to Other Funds	(960,317)
Increase (Decrease) in Other Current Liabilities	<u>(20,470)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 180,062</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	<u>\$ 0</u>
Cash, June 30, 2015	<u>\$ 0</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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 224,166
Due from Other Governments	<u>88,153</u>
Total Assets	<u><u>\$ 312,319</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 88,153
Due to Litigants, Heirs, and Others	<u>224,166</u>
Total Liabilities	<u><u>\$ 312,319</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
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HOUSTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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 financial statements of the Houston County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

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

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

Administrative Office:

Houston County Emergency Communications District
P.O. Box 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, 2015.

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. Local taxes and 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.

General Capital Projects Fund – This fund accounts for general capital expenditures of the county.

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

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 for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

Long-term notes receivable, as reported in the General Debt Service Fund financial statements, is 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 1.95 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.

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. Deferred outflows of resources represent 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 items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position. These items are for pension changes in experience, pension changes in proportionate share of contributions, and employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 items are from the following sources: current and delinquent property taxes, pension changes in investment earnings, 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 are 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 \$2,611,123 of governmental activities restricted net position, of which \$246,958 is restricted by enabling legislation.

As of June 30, 2015, Houston County had \$6,493,595 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 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.

8. **Restatement**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension liability in their Statement of Net Position. Therefore, a restatement decreasing the Houston County School Department's beginning net position by \$1,747,790 has been recognized on the Statement of Activities for liabilities of the pension cost-sharing plan.

E. Pension Plan

Discretely Presented Houston County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

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, County Mayor, County Attorney, 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, 2015, the Houston County School Department reported significant encumbrances of \$94,750 in the General Purpose School Fund for buses.

B. Cash Shortage – Prior and Current Years

The audit of Houston County for the 2013-14 year reported a cash shortage of \$4,453.33 in the Office of Director of Schools. Our investigation revealed the former payroll clerk had issued herself an extra payroll check (\$1,583.33) and had failed to withhold the required amount ordered by the U.S. Bankruptcy Court from her payroll check in four instances (\$2,870.00). A portion of the cash shortage was recovered through payroll deductions before the clerk left employment with the School Department, leaving an outstanding shortage of \$2,152.50 at June 30, 2015. The former payroll clerk pled guilty to theft on September 28, 2015, and was ordered to pay restitution of \$2,152.50.

On February 3, 2016, the county clerk filed a fraud reporting form with our office advising of a potential cash shortage. Any findings resulting from the investigation of this matter will be reported in subsequent communications.

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, 2015.

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 \$64,926 at June 30, 2015, 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, 2015, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 973,888	\$ 627	\$ 0	\$ 974,515
Construction in Progress	2,340,417	958,016	(658,025)	2,640,408
Total Capital Assets Not Depreciated	<u>\$ 3,314,305</u>	<u>\$ 958,643</u>	<u>\$ (658,025)</u>	<u>\$ 3,614,923</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,554,442	\$ 405,335	\$ 0	\$ 5,959,777
Infrastructure	1,987,365	44,000	0	2,031,365
Other Capital Assets	5,501,181	653,558	0	6,154,739
Total Capital Assets Depreciated	<u>\$ 13,042,988</u>	<u>\$ 1,102,893</u>	<u>\$ 0</u>	<u>\$ 14,145,881</u>

Governmental Activities (Cont.):

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,355,959	\$ 140,229	\$ 0	\$ 1,496,188
Infrastructure	353,372	93,632	0	447,004
Other Capital Assets	4,020,013	344,248	0	4,364,261
Total Accumulated Depreciation	<u>\$ 5,729,344</u>	<u>\$ 578,109</u>	<u>\$ 0</u>	<u>\$ 6,307,453</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,313,644</u>	<u>\$ 524,784</u>	<u>\$ 0</u>	<u>\$ 7,838,428</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,627,949</u>	<u>\$ 1,483,427</u>	<u>\$ (658,025)</u>	<u>\$ 11,453,351</u>

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

Governmental Activities:

General Government	\$ 62,245
Finance	2,163
Administration of Justice	10,924
Public Safety	225,932
Public Health and Welfare	127,550
Social, Cultural, and Recreational Services	11,630
Agriculture and Natural Resources	1,339
Highway/Public Works	<u>136,326</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 578,109</u>

Discretely Presented Houston County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 333,220	\$ 0	\$ 0	\$ 333,220
Construction in Progress	97,075	5,000	(97,075)	5,000
Total Capital Assets Not Depreciated	<u>\$ 430,295</u>	<u>\$ 5,000</u>	<u>\$ (97,075)</u>	<u>\$ 338,220</u>

Governmental Activities (Cont.):

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,842,783	\$ 687,487	\$ 0	\$ 14,530,270
Other Capital Assets	3,085,883	118,614	0	3,204,497
Total Capital Assets Depreciated	<u>\$ 16,928,666</u>	<u>\$ 806,101</u>	<u>\$ 0</u>	<u>\$ 17,734,767</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,011,153	\$ 331,702	\$ 0	\$ 7,342,855
Other Capital Assets	1,880,939	154,635	0	2,035,574
Total Accumulated Depreciation	<u>\$ 8,892,092</u>	<u>\$ 486,337</u>	<u>\$ 0</u>	<u>\$ 9,378,429</u>
Total Capital Assets Depreciated, Net	<u>\$ 8,036,574</u>	<u>\$ 319,764</u>	<u>\$ 0</u>	<u>\$ 8,356,338</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,466,869</u>	<u>\$ 324,764</u>	<u>\$ (97,075)</u>	<u>\$ 8,694,558</u>

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

Governmental Activities:

Instruction	\$ 194,371
Support Services	263,165
Operation of Non-instructional Services	<u>28,801</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 486,337</u>

D. Construction Commitments

At June 30, 2015, the county had uncompleted construction contracts of approximately \$501,500 and \$244,391 for water line improvements and the construction of an emergency operations center, respectively. Funding for these future expenditures is expected to be received from federal grant proceeds.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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 Transfers:

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Debt Service Fund</u>	<u>Hospital Fund</u>
General Fund	\$ 0	\$ 311,200
Special Purpose Fund	0	756,423
Hospital Fund	113,758	0
Total	<u>\$ 113,758</u>	<u>\$ 1,067,623</u>

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 12 years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2015, 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, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	4 to 5% %	12-28-17	\$ 606,500	\$ 73,097
Capital Outlay Notes	2.44 to 4.19	7-10-23	2,681,186	1,657,754
Other Loans	variable-3.125	5-25-27	20,003,679	14,614,679

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, 2015, 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, 2015, the variable interest rates were .18 percent on \$11,800,000 of the loans and .15 percent for the remaining 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, 2015, Houston County had drawn \$6,557,479 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, 2015, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 30,537	\$ 3,031	\$ 33,568
2017	31,025	1,543	32,568
2018	11,535	533	12,068
Total	\$ 73,097	\$ 5,107	\$ 78,204

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 538,171	\$ 49,028	\$ 587,199
2017	399,967	33,187	433,154
2018	253,415	20,755	274,170
2019	179,782	13,769	193,551
2020	163,425	8,533	171,958
2021-2024	122,994	7,772	130,766
Total	\$ 1,657,754	\$ 133,044	\$ 1,790,798

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 7,128,479	\$ 216,761	\$ 109,649	\$ 7,454,889
2017	600,000	11,011	101,941	712,952
2018	631,000	10,139	93,841	734,980
2019	662,000	9,223	85,322	756,545
2020	645,200	8,261	76,385	729,846
2021-2025	3,559,000	26,194	242,920	3,828,114
2026-2027	1,389,000	3,077	29,011	1,421,088
Total	\$ 14,614,679	\$ 284,666	\$ 739,069	\$ 15,638,414

There is \$1,731,500 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$1,940, 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, 2015, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2014	\$ 99,169	\$ 1,655,329	\$ 14,827,970
Additions	0	395,730	330,709
Reductions	(26,072)	(393,305)	(544,000)
Balance, June 30, 2015	<u>\$ 73,097</u>	<u>\$ 1,657,754</u>	<u>\$ 14,614,679</u>
Balance Due Within One Year	<u>\$ 30,537</u>	<u>\$ 538,171</u>	<u>\$ 7,128,479</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2014	\$ 14,218	\$ 603,030
Additions	24,534	9,347
Reductions	(21,543)	0
Balance, June 30, 2015	<u>\$ 17,209</u>	<u>\$ 612,377</u>
Balance Due Within One Year	<u>\$ 17,209</u>	<u>\$ 76,547</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, 2015	\$ 16,975,116
Less: Balance Due Within One Year	<u>(7,790,943)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,184,173</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, 2015, was as follows:

Governmental Activities:	<u>Other Postemployment Benefits</u>
Balance, July 1, 2014	\$ 307,934
Additions	45,317
Reductions	<u>(44,724)</u>
Balance, June 30, 2015	<u>\$ 308,527</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 \$6,962,821 with annual requirements ranging from approximately \$489,839 in the next fiscal year to \$686,644 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 \$478,398 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, 2015, were \$19,731 and \$6,675, 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 \$500,000 from a local bank to provide temporary operating funds for the General Fund. These loans were

retired prior to June 30, 2015, 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, 2015, was as follows:

	7-1-14	Issued	Paid	6-30-15
Tax Anticipation Notes	\$ 0	\$ 500,000	(500,000)	\$ 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. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Subsequent Events

On September 14, 2015, Houston County drew down the remaining \$942,521 available under the \$7,500,000 loan from the Community Facilities Loans and Grants program. Houston County then issued \$7,500,000 in general obligation bonds and retired the loan.

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. Changes in Administration

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.

F. Landfill Postclosure Care Costs

Houston County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Houston County closed its sanitary landfill in 1993. The \$612,377, reported as postclosure care liability at June 30, 2015, represents amounts based on what it would cost to perform all postclosure care in 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

The Twenty-third Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twenty-third Judicial District; Cheatham, Dickson, Houston, Humphreys, and Stewart counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the

forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Houston County made no contributions to the DTF for the year ended June 30, 2015.

The discretely presented School Department participates in the Volunteer State Cooperative (VOLCO), which represents a cost-sharing arrangement. The cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Coffee County, Dickson County, Fayetteville City, Hickman County, Houston County, Humphreys County, Manchester City, Marshall County, Maury County, Robertson County, and Stewart County. The cooperative was authorized through Chapter 49 of *Tennessee Code Annotated*. The cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Fayetteville City Schools) and a service provider to provide these services. The cooperative is governed by a Representative Committee, comprising one representative from each of the member districts; and an Executive Council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the Representative Committee.

Houston County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the Twenty-third Judicial District Drug Task Force and the Volunteer State Cooperative can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Office of District Attorney General
Twenty-third Judicial District Drug Task Force
P.O. Box 580
Charlotte, TN 37036

Volunteer State Cooperative
1800 Wilson Parkway
Fayetteville, TN 37334

H. 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.

I. Retirement Commitments

Primary Government

Houston County elected not to provide a retirement plan for its employees.

Discretely Presented Houston County School Department

Tennessee Consolidated Retirement System (TCRS)

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Houston County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the

rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$4,841, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Houston County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Houston County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 4,841	N/A

The Houston County School Department’s employer contributions of \$4,841 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ended June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Houston County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is

available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Houston County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$457,941, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2015, the Houston County School Department reported an asset of \$22,213 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Houston County School Department's proportion of the net pension asset was based on the Houston County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Houston County School Department's proportion was .136702 percent. The proportion measured as of June 30, 2013, was .135161 percent.

Pension Income. For the year ended June 30, 2015, the Houston County School Department recognized a pension income of \$15,427.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Houston County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 53,929	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,830,246
Changes in Proportion of Net Pension Liability (Asset)	21,741	0
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	457,941	N/A
Total	<u>\$ 533,611</u>	<u>\$ 1,830,246</u>

The Houston County School Department's employer contributions of \$457,941 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (444,950)
2017	(444,950)
2018	(444,950)
2019	(444,950)
2020	12,612
Thereafter	12,612

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income Real Estate	4.61		8	
	0.98		29	
	4.73		7	
Short-term Securities	0.00		1	
			100	%
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Houston County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Houston County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
---	------------------------	-------------------------------------	------------------------

Net Pension Liability \$ 3,746,548 \$ (22,213) \$ (3,142,340)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

J. 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 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, 2015, the Houston County School Department contributed \$44,724 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 45,000
Interest on the NOPEBO	12,317
Adjustment to the ARC	(12,000)
Annual OPEB cost	<hr/> \$ 45,317
Less: Amount of contribution	(44,724)
Increase/decrease in NOPEBO	<hr/> \$ 593
Net OPEB obligation, 7-1-14	<hr/> 307,934
Net OPEB obligation, 6-30-15	<hr/> <hr/> \$ 308,527

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>		<hr/>		<hr/>
6-30-13	Local Education Group	\$ 108,442	31%	\$ 301,490
6-30-14	"	43,311	85	307,934
6-30-15	"	45,317	99	308,527

Funded Status and Funding Progress

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

	Local Education Group Plan
	<hr/>
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 the 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 healthcare cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include 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.

K. 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. The county provides continuous support to the hospital in the form of transfers for working capital.

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 therefore is 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, 2015, there were no cash balances in excess of Federal Deposit Insurance Corporation 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.

<u>Assets</u>	<u>Estimated Useful Life Years</u>
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. At June 30, 2015, incurred but not reported claims are not considered to be significant.

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, plant, and equipment), net of related debt, restricted, and unrestricted. 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 when 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 incentives according to the provisions set forth in the Medicare and Medicaid EHR incentive program. During 2015, the hospital recognized \$1,058,093 of meaningful use incentives in the Statement of Revenue, Expenses and Changes in Net Position related to this attestation.

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. Charges forgone based on established rates were \$44,467 for the year ended June 30, 2015. The estimated cost of providing charity care is calculated using the hospital's cost to charge ratio and totaled \$19,721 for the year ended June 30, 2015.

15. Income Taxes

The 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, 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, 2015, 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, 2015, consisted of these amounts:

Receivable from Medicare	\$ 721,930
Receivable from Medicaid	594,749
Receivable from Insurance Carriers	781,875
Patient Receivables	<u>1,070,524</u>
Total Patient Accounts Receivable	\$ 3,169,078
Less: Allowance for Contractuals	(1,370,088)
Less: Allowance for Bad Debt	<u>(864,014)</u>
Patient Accounts Receivable, Net	<u>\$ 934,976</u>

D. Property, Plant, and Equipment

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

Land	\$ 214,000
Construction in Progress	46,329
Buildings	1,493,375
Software	55,865
Fixed Equipment	27,311
Major Moveable Equipment	<u>505,365</u>
	<u>\$ 2,342,245</u>
Less: Accumulated Depreciation	<u>(386,377)</u>
Property, Plant, and Equipment, Net	<u><u>\$ 1,955,868</u></u>

Capital assets activity for the year ended June 30, 2015, is as follows:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 39,683	\$ 46,329	\$ (39,683)	\$ 46,329
Land	214,000	0	0	214,000
				<u>260,329</u>
Total Capital Assets Not Being Depreciated	<u>\$ 253,683</u>	<u>\$ 46,329</u>	<u>\$ (39,683)</u>	<u>\$ 260,329</u>
Other Capital Assets:				
Buildings	\$ 1,195,991	\$ 297,384	\$ 0	\$ 1,493,375
Software	55,865	0	0	55,865
Fixed Equipment	27,311	0	0	27,311
Major Moveable Equipment	305,732	201,633	(2,000)	505,365
				<u>2,081,916</u>
Total Other Assets	<u>\$ 1,584,899</u>	<u>\$ 499,017</u>	<u>\$ (2,000)</u>	<u>\$ 2,081,916</u>
Less Accumulated Depreciation:				
Buildings	\$ 74,749	\$ 72,081	\$ 0	\$ 146,830
Software	2,793	11,173	0	13,966
Fixed Equipment	2,482	2,731	0	5,213
Major Moveable Equipment	174,908	46,347	(887)	220,368
Total	<u>\$ 254,932</u>	<u>\$ 132,332</u>	<u>\$ (887)</u>	<u>\$ 386,377</u>
Depreciable Assets, Net	<u>\$ 1,329,967</u>	<u>\$ 366,685</u>	<u>\$ (1,113)</u>	<u>\$ 1,695,539</u>
Total Capital Assets, Net	<u><u>\$ 1,583,650</u></u>	<u><u>\$ 413,014</u></u>	<u><u>\$ (40,796)</u></u>	<u><u>\$ 1,955,868</u></u>

E. Capital Lease Obligations

A summary of capital lease obligations at June 30, 2015, 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)	\$ 7,408
Less: Current Maturities	<u>(7,408)</u>
Total Capital Lease Obligations	<u><u>\$ 0</u></u>

Capital lease obligations activity was as follows:

	Beginning Balance	Reductions	Ending Balance	Due Within One Year
Capital Leases	\$ 35,286	\$ (27,878)	\$ 7,408	\$ 7,408

Aggregate annual maturities of the payments on the capital lease obligations at June 30, 2015, are as follows:

Year Ending June 30	Lease Payments
2016	<u>\$ 7,530</u>
Total Lease Payments	\$ 7,530
Less: Amount Representing Interest	<u>(122)</u>
Present Value of Minimum Lease Payments	\$ 7,408
Less: Current Maturities	<u>(7,408)</u>
Noncurrent Portion	<u><u>\$ 0</u></u>

The following is an analysis of the major moveable equipment under capital lease at June 30, 2015:

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 2015.

Medical Malpractice Insurance

The hospital purchases professional and general liability insurance to cover medical malpractice claims under a retrospectively rated policy. Professional liability insurance is on a claims made basis and general liability insurance is an occurrence based policy. The policies are limited to \$3 million in the aggregate and \$1 million per claim or occurrence and do not carry a deductible. 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

Net investment in capital assets is as follows:

Capital Assets	\$ 2,342,245
Less: Accumulated Depreciation	(386,377)
Less: Debt Outstanding Related to Capital Assets	<u>(7,408)</u>
Invested in Capital Assets, Net of Related Debt	<u>\$ 1,948,460</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, 2014, 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.

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	\$ 12,861,480
Less:	
Provision for Contractual Adjustments	(7,787,342)
Bad Debts	<u>(999,790)</u>
Net Patient Service Revenue	<u>\$ 4,074,348</u>

I. 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, 2015, was as follows:

Medicare	24 %
Medicaid	19
Blue Cross	6
Commercial	18
Uninsured	<u>33</u>
Total	<u>100 %</u>

J. 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	45 %
Medicaid	14
Blue Cross	13
Commercial	18
Uninsured	<u>10</u>
Total	<u><u>100 %</u></u>

K. 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, 2015, for all operating leases and service agreements was \$230,207, with \$142,997 included in purchased services and \$87,210 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, 2015, that have initial or remaining lease terms in excess of one year.

<u>Year</u>	<u>Amount</u>
2016	\$ 338,765
2017	330,916
2018	326,220
2019	219,446
2020	<u>13,065</u>
Total	<u><u>\$ 1,228,412</u></u>

At June 30, 2015, the hospital had uncompleted construction in progress of \$46,329. The remaining cost on this construction in progress is estimated to be approximately \$515,000.

The hospital received a demand letter from a former supplier claiming a violation of a non-solicitation provision of the underlying contract. No litigation has been filed in this matter and the hospital is investigating the claims. Management believes that the ultimate disposition of these claims will not have a material adverse effect upon the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position of the hospital.

L. Future Accounting Pronouncements

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

- Fair value measurement and application
- Amendments to accounting and financial reporting for pensions
- GAAP hierarchy
- Tax abatement disclosures
- Financial reporting and accounting related to other post-employment benefits.

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

M. 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, 2015, the county transferred funds totaling \$1,067,623 to the hospital to meet working capital needs and capital asset purchases. The county also contributed \$330,709 to the hospital in building improvements, including \$29,600 which was expensed, and \$46,239 in construction in progress related to improvements made to the hospital's facility. The hospital repaid the \$960,317 advance from the county for the implementation of electronic health records, along with an additional payment of \$113,758, representing transfers out.

N. Subsequent Event

The construction in progress in Note VI.K., pertaining to improvements being made to the hospital's facility at June 30, 2015, was completed and placed into service in November 2015.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Houston County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Houston County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 3,026
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(4,841)</u>
Contribution Deficiency (Excess)	<u>\$ (1,815)</u>
Covered Employee Payroll	\$ 121,027
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit F-2

Houston County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Houston County School Department
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 476,460	\$ 457,941
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(476,460)</u>	<u>(457,941)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 5,365,543	\$ 5,774,558
Contributions as a Percentage of Covered Employee Payroll	8.88%	7.93%

Note: ten years of data will be presented when available.

Exhibit F-3

Houston County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Houston County School Department
For the Fiscal Year Ended June 30 *

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.136702%
School Department's Proportionate Share of the Net Pension Asset	\$ 22,213
Covered Employee Payroll	\$ 5,365,543
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit F-4

Houston County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Houston County School Department
June 30, 2015

(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, 2015

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.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for grant proceeds received for a water line improvement project.

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, 2015

	<u>Special Revenue Funds</u>				<u>Capital</u>	<u>Total</u>
	<u>Solid</u>	<u>Drug</u>	<u>Constitu -</u>	<u>Total</u>	<u>Other</u>	
	<u>Waste /</u>	<u>Control</u>	<u>tional</u>		<u>Capital</u>	<u>Nonmajor</u>
	<u>Sanitation</u>		<u>Officers -</u>		<u>Projects</u>	<u>Governmental</u>
			<u>Fees</u>			<u>Funds</u>
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 8,212	\$ 8,212	\$ 0	\$ 8,212
Equity in Pooled Cash and Investments	73,746	30,380	0	104,126	30,196	134,322
Accounts Receivable	108	0	20	128	0	128
Due from Other Governments	5,893	0	0	5,893	0	5,893
Property Taxes Receivable	210,816	0	0	210,816	0	210,816
Allowance for Uncollectible Property Taxes	(7,838)	0	0	(7,838)	0	(7,838)
Total Assets	\$ 282,725	\$ 30,380	\$ 8,232	\$ 321,337	\$ 30,196	\$ 351,533
<u>LIABILITIES</u>						
Contracts Payable	\$ 16,058	\$ 0	\$ 0	\$ 16,058	\$ 0	\$ 16,058
Due to State of Tennessee	213	0	0	213	0	213
Total Liabilities	\$ 16,271	\$ 0	\$ 0	\$ 16,271	\$ 0	\$ 16,271
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 191,801	\$ 0	\$ 0	\$ 191,801	\$ 0	\$ 191,801
Deferred Delinquent Property Taxes	9,293	0	0	9,293	0	9,293
Other Deferred/Unavailable Revenue	5,637	0	0	5,637	0	5,637
Total Deferred Inflows of Resources	\$ 206,731	\$ 0	\$ 0	\$ 206,731	\$ 0	\$ 206,731

(Continued)

Exhibit G-1

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

	Special Revenue Funds				Capital	Total
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	Projects Fund Other Capital Projects	
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Public Safety	\$ 0	\$ 30,380	\$ 0	\$ 30,380	\$ 0	\$ 30,380
Restricted for Capital Outlay	0	0	0	0	30,196	30,196
Committed:						
Committed for General Government	0	0	630	630	0	630
Committed for Finance	0	0	7,602	7,602	0	7,602
Committed for Public Health and Welfare	59,723	0	0	59,723	0	59,723
Total Fund Balances	\$ 59,723	\$ 30,380	\$ 8,232	\$ 98,335	\$ 30,196	\$ 128,531
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 282,725	\$ 30,380	\$ 8,232	\$ 321,337	\$ 30,196	\$ 351,533

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, 2015

	Special Revenue Funds				Capital
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Projects Funds Community Development/ Industrial Park
<u>Revenues</u>					
Local Taxes	\$ 209,003	\$ 0	\$ 0	\$ 209,003	\$ 0
Fines, Forfeitures, and Penalties	0	3,786	0	3,786	0
Charges for Current Services	2,487	0	67,466	69,953	0
Other Local Revenues	1,085	0	0	1,085	0
State of Tennessee	46,182	0	0	46,182	0
Federal Government	0	0	0	0	23,500
Total Revenues	<u>\$ 258,757</u>	<u>\$ 3,786</u>	<u>\$ 67,466</u>	<u>\$ 330,009</u>	<u>\$ 23,500</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 0	\$ 64,094	\$ 64,094	\$ 0
Public Safety	0	7,070	0	7,070	0
Public Health and Welfare	277,918	0	0	277,918	0
Other Operations	12,292	0	0	12,292	23,500
Capital Projects	0	0	0	0	0
Total Expenditures	<u>\$ 290,210</u>	<u>\$ 7,070</u>	<u>\$ 64,094</u>	<u>\$ 361,374</u>	<u>\$ 23,500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,453)</u>	<u>\$ (3,284)</u>	<u>\$ 3,372</u>	<u>\$ (31,365)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (31,453)	\$ (3,284)	\$ 3,372	\$ (31,365)	\$ 0
Fund Balance, July 1, 2014	91,176	33,664	4,860	129,700	0
Fund Balance, June 30, 2015	<u>\$ 59,723</u>	<u>\$ 30,380</u>	<u>\$ 8,232</u>	<u>\$ 98,335</u>	<u>\$ 0</u>

(Continued)

Exhibit G-2

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

	<u>Capital Projects Funds (Cont.)</u>		Total
	Other Capital Projects	Total	Nonmajor Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 0	\$ 209,003
Fines, Forfeitures, and Penalties	0	0	3,786
Charges for Current Services	0	0	69,953
Other Local Revenues	0	0	1,085
State of Tennessee	0	0	46,182
Federal Government	36,458	59,958	59,958
Total Revenues	<u>\$ 36,458</u>	<u>\$ 59,958</u>	<u>\$ 389,967</u>
<u>Expenditures</u>			
Current:			
Finance	\$ 0	\$ 0	\$ 64,094
Public Safety	0	0	7,070
Public Health and Welfare	0	0	277,918
Other Operations	0	23,500	35,792
Capital Projects	30,023	30,023	30,023
Total Expenditures	<u>\$ 30,023</u>	<u>\$ 53,523</u>	<u>\$ 414,897</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,435</u>	<u>\$ 6,435</u>	<u>\$ (24,930)</u>
Net Change in Fund Balances	\$ 6,435	\$ 6,435	\$ (24,930)
Fund Balance, July 1, 2014	<u>23,761</u>	<u>23,761</u>	<u>153,461</u>
Fund Balance, June 30, 2015	<u>\$ 30,196</u>	<u>\$ 30,196</u>	<u>\$ 128,531</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 209,003	\$ 209,200	\$ 205,200	\$ 3,803
Charges for Current Services	2,487	0	0	2,487
Other Local Revenues	1,085	6,000	6,000	(4,915)
State of Tennessee	46,182	50,000	50,000	(3,818)
Total Revenues	<u>\$ 258,757</u>	<u>\$ 265,200</u>	<u>\$ 261,200</u>	<u>\$ (2,443)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 275,289	\$ 302,922	\$ 307,922	\$ 32,633
Landfill Operation and Maintenance	2,629	8,000	3,000	371
<u>Other Operations</u>				
Other Charges	4,579	6,000	6,000	1,421
Employee Benefits	7,713	13,000	13,000	5,287
Total Expenditures	<u>\$ 290,210</u>	<u>\$ 329,922</u>	<u>\$ 329,922</u>	<u>\$ 39,712</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,453)</u>	<u>\$ (64,722)</u>	<u>\$ (68,722)</u>	<u>\$ 37,269</u>
Net Change in Fund Balance	\$ (31,453)	\$ (64,722)	\$ (68,722)	\$ 37,269
Fund Balance, July 1, 2014	<u>91,176</u>	<u>89,849</u>	<u>89,849</u>	<u>1,327</u>
Fund Balance, June 30, 2015	<u>\$ 59,723</u>	<u>\$ 25,127</u>	<u>\$ 21,127</u>	<u>\$ 38,596</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 3,786	\$ 21,500	\$ 21,500	\$ (17,714)
Total Revenues	\$ 3,786	\$ 21,500	\$ 21,500	\$ (17,714)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 7,070	\$ 21,500	\$ 21,500	\$ 14,430
Total Expenditures	\$ 7,070	\$ 21,500	\$ 21,500	\$ 14,430
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,284)	\$ 0	\$ 0	\$ (3,284)
Net Change in Fund Balance	\$ (3,284)	\$ 0	\$ 0	\$ (3,284)
Fund Balance, July 1, 2014	33,664	33,663	33,663	1
Fund Balance, June 30, 2015	\$ 30,380	\$ 33,663	\$ 33,663	\$ (3,283)

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 357,319	\$ 325,700	\$ 325,300	\$ 32,019
Charges for Current Services	0	400,000	0	0
Other Local Revenues	0	1,000,000	1,000,000	(1,000,000)
State of Tennessee	59,647	64,000	64,000	(4,353)
Other Governments and Citizens Groups	474,206	31,500	431,500	42,706
Total Revenues	<u>\$ 891,172</u>	<u>\$ 1,821,200</u>	<u>\$ 1,820,800</u>	<u>\$ (929,628)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 508,921	\$ 273,368	\$ 542,768	\$ 33,847
Education	431,556	690,600	522,600	91,044
<u>Interest on Debt</u>				
General Government	68,505	75,400	107,671	39,166
Education	109,880	425,800	393,529	283,649
<u>Other Debt Service</u>				
General Government	7,732	12,000	12,000	4,268
Total Expenditures	<u>\$ 1,126,594</u>	<u>\$ 1,477,168</u>	<u>\$ 1,578,568</u>	<u>\$ 451,974</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (235,422)</u>	<u>\$ 344,032</u>	<u>\$ 242,232</u>	<u>\$ (477,654)</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 100,000	\$ 0	\$ 100,000	\$ 0
Transfers In	113,758	0	0	113,758
Transfers Out	0	(1,000,000)	0	0
Total Other Financing Sources	<u>\$ 213,758</u>	<u>\$ (1,000,000)</u>	<u>\$ 100,000</u>	<u>\$ 113,758</u>
Net Change in Fund Balance	\$ (21,664)	\$ (655,968)	\$ 342,232	\$ (363,896)
Fund Balance, July 1, 2014	1,753,164	679,659	679,659	1,073,505
Fund Balance, June 30, 2015	<u>\$ 1,731,500</u>	<u>\$ 23,691</u>	<u>\$ 1,021,891</u>	<u>\$ 709,609</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, 2015

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 224,166	\$ 224,166
Due from Other Governments	88,153	0	88,153
Total Assets	<u>\$ 88,153</u>	<u>\$ 224,166</u>	<u>\$ 312,319</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 88,153	\$ 0	\$ 88,153
Due to Litigants, Heirs, and Others	0	224,166	224,166
Total Liabilities	<u>\$ 88,153</u>	<u>\$ 224,166</u>	<u>\$ 312,319</u>

Exhibit I-2

Houston County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 465,634	\$ 465,634	\$ 0
Due from Other Governments	76,608	88,153	76,608	88,153
Total Assets	\$ 76,608	\$ 553,787	\$ 542,242	\$ 88,153
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 76,608	\$ 553,787	\$ 542,242	\$ 88,153
Total Liabilities	\$ 76,608	\$ 553,787	\$ 542,242	\$ 88,153
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 173,955	\$ 2,285,835	\$ 2,235,624	\$ 224,166
Total Assets	\$ 173,955	\$ 2,285,835	\$ 2,235,624	\$ 224,166
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 173,955	\$ 2,285,835	\$ 2,235,624	\$ 224,166
Total Liabilities	\$ 173,955	\$ 2,285,835	\$ 2,235,624	\$ 224,166
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 173,955	\$ 2,285,835	\$ 2,235,624	\$ 224,166
Equity in Pooled Cash and Investments	0	465,634	465,634	0
Due from Other Governments	76,608	88,153	76,608	88,153
Total Assets	\$ 250,563	\$ 2,839,622	\$ 2,777,866	\$ 312,319
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 76,608	\$ 553,787	\$ 542,242	\$ 88,153
Due to Litigants, Heirs, and Others	173,955	2,285,835	2,235,624	224,166
Total Liabilities	\$ 250,563	\$ 2,839,622	\$ 2,777,866	\$ 312,319

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, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 6,670,445	\$ 6,011	\$ 518,673	\$ (6,145,761)
Support Services	3,892,890	19,696	180,713	(3,692,481)
Operation of Non-instructional Services	1,184,642	261,870	821,366	(101,406)
Total Governmental Activities	\$ 11,747,977	\$ 287,577	\$ 1,520,752	\$ (9,939,648)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 678,812
Local Option Sales Taxes				566,396
Business Tax				25,179
Other Local Taxes				825
Grants and Contributions Not Restricted to Specific Programs				8,308,251
Unrestricted Investment Income				25,577
Miscellaneous				49,508
Pension Income				15,427
Total General Revenues				\$ 9,669,975
Change in Net Position				\$ (269,673)
Net Position, July 1, 2014				13,405,671
Restatement - Pension Liability (See Note I.D.8)				(1,747,790)
Net Position, June 30, 2015				\$ 11,388,208

Exhibit J-2

Houston County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Houston County School Department
June 30, 2015

	<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	\$ 4,005,911	\$ 329,897	\$ 4,335,808
Due from Other Governments	272,263	1,176	273,439
Property Taxes Receivable	698,327	0	698,327
Allowance for Uncollectible Property Taxes	(25,966)	0	(25,966)
Accrued Interest Receivable	11,809	622	12,431
Cash Shortage	2,153	0	2,153
Total Assets	<u>\$ 4,964,497</u>	<u>\$ 331,695</u>	<u>\$ 5,296,192</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 96,358	\$ 1,176	\$ 97,534
Payroll Deductions Payable	275,445	16,115	291,560
Total Liabilities	<u>\$ 371,803</u>	<u>\$ 17,291</u>	<u>\$ 389,094</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 635,340	\$ 0	\$ 635,340
Deferred Delinquent Property Taxes	30,782	0	30,782
Other Deferred/Unavailable Revenue	62,399	620	63,019
Total Deferred Inflows of Resources	<u>\$ 728,521</u>	<u>\$ 620</u>	<u>\$ 729,141</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 4,055	\$ 0	\$ 4,055
Restricted for Operation of Non-instructional Services	0	213,784	213,784
Assigned:			
Assigned for Education	94,750	100,000	194,750
Unassigned	3,765,368	0	3,765,368
Total Fund Balances	<u>\$ 3,864,173</u>	<u>\$ 313,784</u>	<u>\$ 4,177,957</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,964,497</u>	<u>\$ 331,695</u>	<u>\$ 5,296,192</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, 2015

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)		\$	4,177,957
(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		5,000	
Add: buildings and improvements net of accumulated depreciation		7,187,415	
Add: other capital assets net of accumulated depreciation		<u>1,168,923</u>	8,694,558
(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			(308,527)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as a component of pension expense in future years.			
Add: deferred outflows of resources related to pensions	\$	538,452	
Less: deferred inflows of resources related to pensions		<u>(1,830,246)</u>	(1,291,794)
(4) Net pension assets of the cost-sharing plan are not current financial resources and therefore are not reported in the governmental funds.			22,213
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>93,801</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>11,388,208</u></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, 2015

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 1,279,701	\$ 0	\$ 1,279,701
Licenses and Permits	560	0	560
Charges for Current Services	25,707	261,870	287,577
Other Local Revenues	78,827	4,888	83,715
State of Tennessee	8,495,981	705	8,496,686
Federal Government	65,194	1,255,701	1,320,895
Total Revenues	<u>\$ 9,945,970</u>	<u>\$ 1,523,164</u>	<u>\$ 11,469,134</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,531,195	\$ 679,382	\$ 6,210,577
Support Services	3,838,424	73,789	3,912,213
Operation of Non-instructional Services	384,945	770,642	1,155,587
Capital Outlay	699,702	0	699,702
Debt Service:			
Other Debt Service	463,038	0	463,038
Total Expenditures	<u>\$ 10,917,304</u>	<u>\$ 1,523,813</u>	<u>\$ 12,441,117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (971,334)</u>	<u>\$ (649)</u>	<u>\$ (971,983)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 3,262	\$ 0	\$ 3,262
Total Other Financing Sources (Uses)	<u>\$ 3,262</u>	<u>\$ 0</u>	<u>\$ 3,262</u>
Net Change in Fund Balances	\$ (968,072)	\$ (649)	\$ (968,721)
Fund Balance, July 1, 2014	4,832,245	314,433	5,146,678
Fund Balance, June 30, 2015	<u><u>\$ 3,864,173</u></u>	<u><u>\$ 313,784</u></u>	<u><u>\$ 4,177,957</u></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, 2015

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)		\$ (968,721)
(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	\$ 714,026	
Less: current-year depreciation expense	<u>(486,337)</u>	227,689
(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, 2015	\$ 93,801	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(100,058)</u>	(6,257)
(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	\$ (593)	
Change in net pension asset - cost-sharing plan	1,770,003	
Change in deferred outflows related to pensions	538,452	
Change in deferred inflows related to pensions	<u>(1,830,246)</u>	<u>477,616</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (269,673)</u>

Exhibit J-6

Houston County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Houston County School Department
June 30, 2015

	<u>Special Revenue Funds</u>		Total
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 115,629	\$ 214,268	\$ 329,897
Due from Other Governments	1,176	0	1,176
Accrued Interest Receivable	0	622	622
Total Assets	<u>\$ 116,805</u>	<u>\$ 214,890</u>	<u>\$ 331,695</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,176	\$ 0	\$ 1,176
Payroll Deductions Payable	15,629	486	16,115
Total Liabilities	<u>\$ 16,805</u>	<u>\$ 486</u>	<u>\$ 17,291</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 0	\$ 620	\$ 620
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 620</u>	<u>\$ 620</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Operation of Non-instructional Services	\$ 0	\$ 213,784	\$ 213,784
Assigned:			
Assigned for Education	100,000	0	100,000
Total Fund Balances	<u>\$ 100,000</u>	<u>\$ 213,784</u>	<u>\$ 313,784</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 116,805</u>	<u>\$ 214,890</u>	<u>\$ 331,695</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, 2015

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 261,870	\$ 261,870
Other Local Revenues	0	4,888	4,888
State of Tennessee	0	705	705
Federal Government	753,171	502,530	1,255,701
Total Revenues	<u>\$ 753,171</u>	<u>\$ 769,993</u>	<u>\$ 1,523,164</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 679,382	\$ 0	\$ 679,382
Support Services	73,789	0	73,789
Operation of Non-instructional Services	0	770,642	770,642
Total Expenditures	<u>\$ 753,171</u>	<u>\$ 770,642</u>	<u>\$ 1,523,813</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ 0</u>	<u>\$ (649)</u>	<u>\$ (649)</u>
Net Change in Fund Balances	\$ 0	\$ (649)	\$ (649)
Fund Balance, July 1, 2014	<u>100,000</u>	<u>214,433</u>	<u>314,433</u>
Fund Balance, June 30, 2015	<u>\$ 100,000</u>	<u>\$ 213,784</u>	<u>\$ 313,784</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, 2015

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2014	Add: Encumbrances 6/30/2015	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,279,701	\$ 0	\$ 0	\$ 1,279,701	\$ 1,221,000	\$ 1,221,000	\$ 58,701
Licenses and Permits	560	0	0	560	500	500	60
Charges for Current Services	25,707	0	0	25,707	17,100	17,100	8,607
Other Local Revenues	78,827	0	0	78,827	55,300	55,300	23,527
State of Tennessee	8,495,981	0	0	8,495,981	8,525,689	8,555,090	(59,109)
Federal Government	65,194	0	0	65,194	0	65,194	0
Total Revenues	\$ 9,945,970	\$ 0	\$ 0	\$ 9,945,970	\$ 9,819,589	\$ 9,914,184	\$ 31,786
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,756,894	\$ (62,039)	\$ 0	\$ 4,694,855	\$ 4,812,000	\$ 4,812,000	\$ 117,145
Special Education Program	530,713	0	0	530,713	569,500	594,500	63,787
Vocational Education Program	243,588	0	0	243,588	254,000	254,000	10,412
<u>Support Services</u>							
Attendance	28,376	0	0	28,376	30,100	30,100	1,724
Health Services	105,675	0	0	105,675	127,300	127,300	21,625
Other Student Support	200,597	0	0	200,597	217,500	217,500	16,903
Regular Instruction Program	552,212	(449)	0	551,763	596,900	596,900	45,137
Alternative Instruction Program	62,868	0	0	62,868	66,100	66,100	3,232
Special Education Program	155,142	0	0	155,142	141,850	182,044	26,902
Vocational Education Program	0	0	0	0	4,000	4,000	4,000
Other Programs	26,406	0	0	26,406	0	26,406	0
Board of Education	376,247	0	0	376,247	368,700	418,700	42,453
Director of Schools	209,003	0	0	209,003	218,200	218,200	9,197
Office of the Principal	514,414	0	0	514,414	601,900	554,895	40,481
Fiscal Services	106,330	(898)	0	105,432	111,000	111,000	5,568
Operation of Plant	791,885	0	0	791,885	891,600	891,600	99,715
Maintenance of Plant	158,403	0	0	158,403	204,000	204,000	45,597
Transportation	550,866	(110,306)	94,750	535,310	642,900	642,900	107,590
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 7/1/2014	Add: Encumbrances 6/30/2015	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	\$ 35,465	\$ 0	\$ 0	\$ 35,465	\$ 40,400	\$ 40,400	\$ 4,935
Community Services	29,146	0	0	29,146	29,611	29,611	465
Early Childhood Education	320,334	(10,000)	0	310,334	314,128	314,128	3,794
<u>Capital Outlay</u>							
Regular Capital Outlay	699,702	(547,330)	0	152,372	485,000	485,000	332,628
<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	463,038	0	0	463,038	0	482,000	18,962
Total Expenditures	\$ 10,917,304	\$ (731,022)	\$ 94,750	\$ 10,281,032	\$ 11,213,689	\$ 11,308,284	\$ 1,027,252
Excess (Deficiency) of Revenues Over Expenditures	\$ (971,334)	\$ 731,022	\$ (94,750)	\$ (335,062)	\$ (1,394,100)	\$ (1,394,100)	\$ 1,059,038
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 3,262	\$ 0	\$ 0	\$ 3,262	\$ 1,000	\$ 1,000	\$ 2,262
Total Other Financing Sources	\$ 3,262	\$ 0	\$ 0	\$ 3,262	\$ 1,000	\$ 1,000	\$ 2,262
Net Change in Fund Balance	\$ (968,072)	\$ 731,022	\$ (94,750)	\$ (331,800)	\$ (1,393,100)	\$ (1,393,100)	\$ 1,061,300
Fund Balance, July 1, 2014	4,832,245	(731,022)	0	4,101,223	4,093,854	4,093,854	7,369
Fund Balance, June 30, 2015	\$ 3,864,173	\$ 0	\$ (94,750)	\$ 3,769,423	\$ 2,700,754	\$ 2,700,754	\$ 1,068,669

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 753,171	\$ 744,802	\$ 1,001,251	\$ (248,080)
Total Revenues	<u>\$ 753,171</u>	<u>\$ 744,802</u>	<u>\$ 1,001,251</u>	<u>\$ (248,080)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 403,387	\$ 397,139	\$ 508,118	\$ 104,731
Special Education Program	257,029	239,863	270,315	13,286
Vocational Education Program	18,966	12,833	19,373	407
<u>Support Services</u>				
Other Student Support	3,408	9,885	3,595	187
Regular Instruction Program	50,128	45,572	175,937	125,809
Special Education Program	19,680	38,346	22,999	3,319
Vocational Education Program	573	1,164	914	341
Total Expenditures	<u>\$ 753,171</u>	<u>\$ 744,802</u>	<u>\$ 1,001,251</u>	<u>\$ 248,080</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	0
Fund Balance, July 1, 2014	<u>100,000</u>	<u>0</u>	<u>0</u>	<u>100,000</u>
Fund Balance, June 30, 2015	<u>\$ 100,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,000</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 261,870	\$ 343,500	\$ 343,500	\$ (81,630)
Other Local Revenues	4,888	3,500	3,500	1,388
State of Tennessee	705	1,000	1,000	(295)
Federal Government	502,530	486,000	486,000	16,530
Total Revenues	<u>\$ 769,993</u>	<u>\$ 834,000</u>	<u>\$ 834,000</u>	<u>\$ (64,007)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 770,642	\$ 834,000	\$ 834,000	\$ 63,358
Total Expenditures	<u>\$ 770,642</u>	<u>\$ 834,000</u>	<u>\$ 834,000</u>	<u>\$ 63,358</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (649)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (649)</u>
Net Change in Fund Balance	\$ (649)	\$ 0	\$ 0	\$ (649)
Fund Balance, July 1, 2014	214,433	0	0	214,433
Fund Balance, June 30, 2015	<u>\$ 213,784</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 213,784</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, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
NOTES PAYABLE								
<u>Payable through Highway/Public Works Fund</u>								
Highway Equipment	\$ 255,000	3.35 %	2-27-13	3-21-23	\$ 232,786	\$ 0	\$ 22,900	\$ 209,886
Highway Lawn Equipment	158,730	2.450	12-9-14	12-9-19	0	158,730	0	158,730
Total Payable through Highway/Public Works Fund					<u>\$ 232,786</u>	<u>\$ 158,730</u>	<u>\$ 22,900</u>	<u>\$ 368,616</u>
<u>Payable through General Debt Service Fund</u>								
E-911 Communications Tower and Equipment	221,000	2.45	8-17-05	12-9-17	\$ 73,666	\$ 0	\$ 15,570	\$ 58,096
Ambulance and Equipment	107,027	2.85	12-11-08	2-1-16	31,441	0	15,508	15,933
Library Renovation	75,000	4.19	4-8-09	4-6-19	37,500	0	7,500	30,000
Airport Maintenance	70,000	3.49	7-9-09	7-10-19	42,000	0	7,000	35,000
Fire Department Equipment and Supplies	100,000	2.99	7-28-09	7-28-15	33,333	0	16,667	16,666
Ambulance	92,879	3	12-17-10	2-28-16	39,904	0	19,952	19,952
School Repair	500,000	3.22	12-20-10	12-1-16	260,151	0	55,556	204,595
Fire Engine and Equipment	150,000	3.49	6-14-11	8-8-14	100,000	0	100,000	0
Emergency Response Facility	200,000	2.99	7-10-12	7-10-15	183,333	0	16,667	166,666
Sheriff Vehicles	105,000	3.25	10-31-12	10-31-17	84,000	0	21,000	63,000
Fire Station Buildings and Equipment (Extension)	54,978	3	6-21-13	6-21-19	46,487	0	8,774	37,713
Health Department Addition (Extension)	15,000	2.45	6-21-13	6-21-16	10,122	0	5,000	5,122
Convenience Center Front End Loader (Extension)	27,572	2.45	6-24-13	6-24-16	18,606	0	9,197	9,409
Election Office Building	62,000	3.25	7-10-13	7-10-23	62,000	0	5,347	56,653
Hospital Computers and Equipment	400,000	3.05	1-6-14	1-6-20	400,000	0	66,667	333,333
Fire Engine and Equipment (Extension)	100,000	2.76	8-8-14	8-8-17	0	100,000	0	100,000
Hospital Ultrasound Equipment	67,000	3.03	8-8-14	8-8-20	0	67,000	0	67,000
Hospital X-ray Equipment	70,000	2.44	4-13-15	4-13-20	0	70,000	0	70,000
Total Payable through General Debt Service Fund					<u>\$ 1,422,543</u>	<u>\$ 237,000</u>	<u>\$ 370,405</u>	<u>\$ 1,289,138</u>
Total Notes Payable					<u>\$ 1,655,329</u>	<u>\$ 395,730</u>	<u>\$ 393,305</u>	<u>\$ 1,657,754</u>

(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 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Courthouse Renovations	\$ 1,800,000	variable %	10-21-1999	5-25-24	\$ 1,031,000	\$ 0	\$ 82,000	\$ 949,000
School Construction	10,000,000	variable	1-31-00	5-25-27	6,665,000	0	376,000	6,289,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	642,000	0	40,000	602,000
Jail Construction and Courthouse Renovations	646,200 (1)	variable	4-26-02	5-25-20	263,200	0	46,000	217,200
Hospital Purchase	(2)	3.125	3-27-13	3-27-15	6,226,770	330,709	0	6,557,479
Total Other Loans Payable					<u>\$ 14,827,970</u>	<u>\$ 330,709</u>	<u>\$ 544,000</u>	<u>\$ 14,614,679</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Industrial Park Development (FmHA)	478,000	4 to 5	10-13-1977	10-1-16	\$ 56,000	\$ 0	\$ 16,000	\$ 40,000
Fire Truck	128,500	4.625	12-28-02	12-28-17	43,169	0	10,072	33,097
Total Bonds Payable					<u>\$ 99,169</u>	<u>\$ 0</u>	<u>\$ 26,072</u>	<u>\$ 73,097</u>

(1) Total amount approved was \$1,200,000, of which \$553,800 remains available for draws as of June 30, 2015.

(2) Total amount approved was \$7,500,000, of which \$942,521 remains available for draws as of June 30, 2015.

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 538,171	\$ 49,028	\$ 587,199
2017	399,967	33,187	433,154
2018	253,415	20,755	274,170
2019	179,782	13,769	193,551
2020	163,425	8,533	171,958
2021	45,015	3,795	48,810
2022	34,897	2,409	37,306
2023	35,952	1,336	37,288
2024	7,130	232	7,362
Total	\$ 1,657,754	\$ 133,044	\$ 1,790,798

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 7,128,479	\$ 216,761	\$ 109,649	\$ 7,454,889
2017	600,000	11,011	101,941	712,952
2018	631,000	10,139	93,841	734,980
2019	662,000	9,223	85,322	756,545
2020	645,200	8,261	76,385	729,846
2021	668,000	7,311	67,576	742,887
2022	701,000	6,326	58,558	765,884
2023	737,000	5,291	49,094	791,385
2024	774,000	4,204	39,145	817,349
2025	679,000	3,062	28,547	710,609
2026	713,000	2,063	19,381	734,444
2027	676,000	1,014	9,630	686,644
Total	\$ 14,614,679	\$ 284,666	\$ 739,069	\$ 15,638,414

Year Ending June 30	Bonds		
	Principal	Interest	Total
2016	\$ 30,537	\$ 3,031	\$ 33,568
2017	31,025	1,543	32,568
2018	11,535	533	12,068
Total	\$ 73,097	\$ 5,107	\$ 78,204

Exhibit K-3

Houston County, Tennessee
Schedule of Notes Receivable
June 30, 2015

Description	Debtor	Original Amount of Notes	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-15
<u>General Debt Service Fund</u>						
Emergency Communications Tower	Houston County Emergency Communications District	\$ 219,430	6-29-05	9-13-18	4.6 %	<u>\$ 64,926</u>
Total Notes Receivable						<u><u>\$ 64,926</u></u>

Exhibit K-4

Houston County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Hospital	Operations	\$ 311,200
Special Purpose	"	"	756,423
Hospital	General Debt Service	Debt payments	<u>113,758</u>
Total Transfers			<u>\$ 1,181,381</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, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 72,623	\$ 370,069	Auto-Owners Insurance Company
Road Superintendent:				
Jimmy Felts (7-1-14 through 8-31-14)	Section 8-24-102, <i>TCA</i>	11,528	100,000	"
George Dew (9-1-14 through 6-30-15)	Section 8-24-102, <i>TCA</i>	57,640	100,000	"
Director of Schools	State Board of Education and County Board of Education	92,000 (1)	100,000	Western Surety Company
Trustee	Section 8-24-102, <i>TCA</i>	62,876	491,422	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	62,876	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	62,876	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i>	45,099 (2)	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	62,876	50,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	62,876	50,000	"
Sheriff:				
Darrell Allison (7-1-14 through 8-31-14)	Section 8-24-102, <i>TCA</i>	11,971	25,000	"
Kevin Sugg (9-1-14 through 6-30-15)	Section 8-24-102, <i>TCA</i>	57,197 (3)	100,000	"
Employee Blanket Bonds:				
County Mayor and Road Superintendent:				
All Employees			150,000	Local Government Property and Casualty Fund
Director of Schools:				
All Employees			150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000.
(2) Does not include workers' compensation insurance payments of \$17,777.
(3) 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, 2015

	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	\$ 2,259,399	\$ 193,319	\$ 724,943	\$ 0	\$ 0	\$ 12,084
Discount on Property Taxes	(20,147)	(1,721)	(6,464)	0	0	(108)
Trustee's Collections - Prior Year	114,217	7,820	0	0	0	601
Trustee's Collections - Bankruptcy	922	77	108	0	0	5
Circuit/Clerk and Master Collections - Prior Years	25,193	2,104	7,111	0	0	134
Interest and Penalty	22,399	1,620	1,635	0	0	118
Payments in-Lieu-of Taxes - T.V.A.	0	52	197	0	0	3
Payments in-Lieu-of Taxes - Local Utilities	29,796	2,592	9,394	0	0	159
<u>County Local Option Taxes</u>						
Local Option Sales Tax	95,078	0	0	0	0	0
Hotel/Motel Tax	18,661	0	0	0	0	0
Wheel Tax	0	0	0	0	0	0
Litigation Tax - General	13,263	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0
Business Tax	0	1,675	21,124	0	0	105
<u>Statutory Local Taxes</u>						
Bank Excise Tax	13,994	0	0	0	0	0
Wholesale Beer Tax	26,858	0	0	0	0	0
Interstate Telecommunications Tax	568	0	0	0	0	0
Other Statutory Local Taxes	0	1,465	0	0	0	0
Total Local Taxes	\$ 2,600,201	\$ 209,003	\$ 758,048	\$ 0	\$ 0	\$ 13,101
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 2,407	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 2,407	\$ 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</u>						
<u>Circuit Court</u>						
Fines	\$ 1,939	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	2,004	0	0	0	0	0
Drug Control Fines	0	0	0	815	0	0
Jail Fees	508	0	0	0	0	0
Data Entry Fee - Circuit Court	316	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	7,653	0	0	0	0	0
Officers Costs	9,259	0	0	0	0	0
Game and Fish Fines	171	0	0	0	0	0
Drug Control Fines	0	0	0	2,971	0	0
Jail Fees	1,455	0	0	0	0	0
DUI Treatment Fines	1,389	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,506	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	128	0	0	0	0	0
Officers Costs	806	0	0	0	0	0
Data Entry Fee - Juvenile Court	163	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	1,297	0	0	0	0	0
Data Entry Fee - Chancery Court	2,164	0	0	0	0	0
Courtroom Security Fee	543	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 31,301	\$ 0	\$ 0	\$ 3,786	\$ 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>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 2,487	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	627,167	0	0	0	0	0
Work Release Charges for Board	195	0	0	0	0	0
Other General Service Charges	27,540	0	0	0	0	0
<u>Fees</u>						
Airport Fees	3,300	0	0	0	0	0
Copy Fees	12	0	0	0	0	0
Archives and Records Management Fee - County Clerk	66	0	0	0	0	0
Greenbelt Late Application Fee	100	0	0	0	0	0
Telephone Commissions	6,605	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	67,466	0
Data Processing Fee - Register	2,502	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	1,800	0	0	0	0	0
Data Processing Fee - County Clerk	421	0	0	0	0	0
Total Charges for Current Services	\$ 669,708	\$ 2,487	\$ 0	\$ 0	\$ 67,466	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Lease/Rentals	\$ 32,275	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sale of Materials and Supplies	292	0	0	0	0	0
Commissary Sales	7,625	0	0	0	0	0
Sale of Gasoline	0	0	0	0	0	4,956
Sale of Recycled Materials	0	1,085	0	0	0	0
Miscellaneous Refunds	8,638	0	0	0	0	1,394

(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>Nonrecurring Items</u>						
Sale of Property	\$ 2,500	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Other Local Revenues</u>						
Other Local Revenues	20,363	0	0	0	0	0
Total Other Local Revenues	\$ 71,693	\$ 1,085	\$ 0	\$ 0	\$ 0	6,350
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 14,000	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Officials	2,138	0	0	0	0	0
<u>Fees in-Lieu-of Salary</u>						
Circuit Court Clerk	16,116	0	0	0	0	0
General Sessions Court Clerk	30,744	0	0	0	0	0
Clerk and Master	35,456	0	0	0	0	0
Juvenile Court Clerk	3,392	0	0	0	0	0
Register	27,753	0	0	0	0	0
Sheriff	3,442	0	0	0	0	0
Trustee	121,773	0	0	0	0	0
Total Fees Received from County Officials	\$ 254,814	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 13,500	\$ 0	\$ 0	\$ 0	\$ 0	0
Other General Government Grants	26,447	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	302,948
Litter Program	27,567	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>State of Tennessee (Cont.)</u>						
<u>Other State Revenues</u>						
Income Tax	\$ 0	\$ 156	\$ 0	\$ 0	\$ 0	\$ 29
Resort District Sales Tax	83,009	0	0	0	0	0
Beer Tax	18,055	0	0	0	0	0
Alcoholic Beverage Tax	0	21,125	0	0	0	0
State Revenue Sharing - T.V.A.	0	24,901	78,379	0	0	3,919
Contracted Prisoner Boarding	48,801	0	0	0	0	0
Gasoline and Motor Fuel Tax	12,002	0	0	0	0	1,281,133
Petroleum Special Tax	0	0	0	0	0	6,080
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	15,200	0	0	0	0	0
Other State Revenues	33,197	0	0	0	0	0
Total State of Tennessee	\$ 292,942	\$ 46,182	\$ 78,379	\$ 0	\$ 0	\$ 1,594,109
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA - Other	\$ 0	\$ 0	\$ 14,800	\$ 0	\$ 0	\$ 99,033
Community Development	0	0	0	0	0	0
Disaster Relief	0	0	0	0	0	71,542
Homeland Security Grants	1,480	0	0	0	0	0
Law Enforcement Grants	41,013	0	0	0	0	0
Other Federal through State	95,901	0	0	0	0	0
Total Federal Government	\$ 138,394	\$ 0	\$ 14,800	\$ 0	\$ 0	\$ 170,575

(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	Constitu - tional Officers - Fees	Highway / Public Works
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 158,140	\$ 0	\$ 0	\$ 0	\$ 0	0
Contracted Services	8,996	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 167,136</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Total	<u>\$ 4,228,596</u>	<u>\$ 258,757</u>	<u>\$ 851,227</u>	<u>\$ 3,786</u>	<u>\$ 67,466</u>	<u>\$ 1,784,135</u>

(Continued)

Exhibit K-6

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	Community Development/Industrial Park	Other Capital Projects		
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 24,166	\$ 0	\$ 0	\$ 0	\$ 0	3,213,911
Discount on Property Taxes	(217)	0	0	0	0	(28,657)
Trustee's Collections - Prior Year	1,202	0	0	0	0	123,840
Trustee's Collections - Bankruptcy	10	0	0	0	0	1,122
Circuit/Clerk and Master Collections - Prior Years	269	0	0	0	0	34,811
Interest and Penalty	235	0	0	0	0	26,007
Payments in-Lieu-of Taxes - T.V.A.	7	0	0	0	0	259
Payments in-Lieu-of Taxes - Local Utilities	319	0	0	0	0	42,260
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	95,078
Hotel/Motel Tax	0	0	0	0	0	18,661
Wheel Tax	326,168	0	0	0	0	326,168
Litigation Tax - General	0	0	0	0	0	13,263
Litigation Tax - Jail, Workhouse, or Courthouse	4,951	0	0	0	0	4,951
Business Tax	209	0	0	0	0	23,113
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	0	0	0	13,994
Wholesale Beer Tax	0	0	0	0	0	26,858
Interstate Telecommunications Tax	0	0	0	0	0	568
Other Statutory Local Taxes	0	0	0	0	0	1,465
Total Local Taxes	\$ 357,319	\$ 0	\$ 0	\$ 0	\$ 0	3,937,672
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,407
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,407

(Continued)

Exhibit K-6

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	Community Development/Industrial Park	Other Capital Projects		
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,939
Officers Costs	0	0	0	0	0	2,004
Drug Control Fines	0	0	0	0	0	815
Jail Fees	0	0	0	0	0	508
Data Entry Fee - Circuit Court	0	0	0	0	0	316
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	7,653
Officers Costs	0	0	0	0	0	9,259
Game and Fish Fines	0	0	0	0	0	171
Drug Control Fines	0	0	0	0	0	2,971
Jail Fees	0	0	0	0	0	1,455
DUI Treatment Fines	0	0	0	0	0	1,389
Data Entry Fee - General Sessions Court	0	0	0	0	0	1,506
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	128
Officers Costs	0	0	0	0	0	806
Data Entry Fee - Juvenile Court	0	0	0	0	0	163
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	1,297
Data Entry Fee - Chancery Court	0	0	0	0	0	2,164
Courtroom Security Fee	0	0	0	0	0	543
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	35,087

(Continued)

Exhibit K-6

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	Community Development/Industrial Park	Other Capital Projects		
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,487
Patient Charges	0	0	0	0	0	627,167
Work Release Charges for Board	0	0	0	0	0	195
Other General Service Charges	0	0	0	0	0	27,540
<u>Fees</u>						
Airport Fees	0	0	0	0	0	3,300
Copy Fees	0	0	0	0	0	12
Archives and Records Management Fee - County Clerk	0	0	0	0	0	66
Greenbelt Late Application Fee	0	0	0	0	0	100
Telephone Commissions	0	0	0	0	0	6,605
Constitutional Officers' Fees and Commissions	0	0	0	0	0	67,466
Data Processing Fee - Register	0	0	0	0	0	2,502
Sexual Offender Registration Fee - Sheriff	0	0	0	0	0	1,800
Data Processing Fee - County Clerk	0	0	0	0	0	421
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	739,661
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Lease/Rentals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	32,275
Sale of Materials and Supplies	0	0	0	0	0	292
Commissary Sales	0	0	0	0	0	7,625
Sale of Gasoline	0	0	0	0	0	4,956
Sale of Recycled Materials	0	0	0	0	0	1,085
Miscellaneous Refunds	0	0	0	0	0	10,032

(Continued)

Exhibit K-6

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	Community Development/Industrial Park	Other Capital Projects		
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Sale of Property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,500
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	20,363
Total Other Local Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	79,128
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,000
Other Officials	0	0	0	0	0	2,138
<u>Fees in-Lieu-of Salary</u>						
Circuit Court Clerk	0	0	0	0	0	16,116
General Sessions Court Clerk	0	0	0	0	0	30,744
Clerk and Master	0	0	0	0	0	35,456
Juvenile Court Clerk	0	0	0	0	0	3,392
Register	0	0	0	0	0	27,753
Sheriff	0	0	0	0	0	3,442
Trustee	0	0	0	0	0	121,773
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	254,814
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	13,500
Other General Government Grants	0	0	0	0	0	26,447
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	302,948
Litter Program	0	0	0	0	0	27,567

(Continued)

Exhibit K-6

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	Community Development/ Industrial Park	Other Capital Projects		
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues</u>						
Income Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	185
Resort District Sales Tax	0	0	0	0	0	83,009
Beer Tax	0	0	0	0	0	18,055
Alcoholic Beverage Tax	0	0	0	0	0	21,125
State Revenue Sharing - T.V.A.	0	0	0	0	0	107,199
Contracted Prisoner Boarding	59,647	0	0	0	0	108,448
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,293,135
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	15,200
Other State Revenues	0	0	0	0	0	33,197
Total State of Tennessee	\$ 59,647	\$ 0	\$ 0	\$ 0	\$ 0	2,071,259
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	113,833
Community Development	0	932,798	23,500	36,458	0	992,756
Disaster Relief	0	0	0	0	0	71,542
Homeland Security Grants	0	0	0	0	0	1,480
Law Enforcement Grants	0	0	0	0	0	41,013
Other Federal through State	0	0	0	0	0	95,901
Total Federal Government	\$ 0	\$ 932,798	\$ 23,500	\$ 36,458	\$ 0	1,316,525

(Continued)

Exhibit K-6

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	Community Development/Industrial Park	Other Capital Projects		
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 466,706	\$ 89,538	\$ 0	\$ 0	\$ 714,384	
Contracted Services	7,500	0	0	0	16,496	
Total Other Governments and Citizens Groups	<u>\$ 474,206</u>	<u>\$ 89,538</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 730,880</u>	
Total	<u>\$ 891,172</u>	<u>\$ 1,022,336</u>	<u>\$ 23,500</u>	<u>\$ 36,458</u>	<u>\$ 9,167,433</u>	

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, 2015

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 640,365	\$ 0	\$ 0	\$ 640,365
Discount on Property Taxes	(5,711)	0	0	(5,711)
Trustee's Collections - Prior Year	31,867	0	0	31,867
Trustee's Collections - Bankruptcy	261	0	0	261
Circuit/Clerk and Master Collections - Prior Years	7,127	0	0	7,127
Interest and Penalty	6,270	0	0	6,270
Payments in-Lieu-of Taxes - T.V.A.	787	0	0	787
Payments in-Lieu-of Taxes - Local Utilities	8,620	0	0	8,620
<u>County Local Option Taxes</u>				
Local Option Sales Tax	564,101	0	0	564,101
Business Tax	25,179	0	0	25,179
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	835	0	0	835
Total Local Taxes	<u>\$ 1,279,701</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,279,701</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 560	\$ 0	\$ 0	\$ 560
Total Licenses and Permits	<u>\$ 560</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 560</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 6,011	\$ 0	\$ 0	\$ 6,011
Lunch Payments - Children	0	0	113,362	113,362

(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>Charges for Current Services (Cont.)</u>				
<u>Education Charges (Cont.)</u>				
Lunch Payments - Adults	\$ 0	\$ 0	\$ 19,772	\$ 19,772
Income from Breakfast	0	0	19,403	19,403
A la carte Sales	0	0	109,333	109,333
Receipts from Individual Schools	19,696	0	0	19,696
Total Charges for Current Services	<u>\$ 25,707</u>	<u>\$ 0</u>	<u>\$ 261,870</u>	<u>\$ 287,577</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 32,393	\$ 0	\$ 1,814	\$ 34,207
Miscellaneous Refunds	46,434	0	3,074	49,508
Total Other Local Revenues	<u>\$ 78,827</u>	<u>\$ 0</u>	<u>\$ 4,888</u>	<u>\$ 83,715</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 26,406	\$ 0	\$ 0	\$ 26,406
<u>State Education Funds</u>				
Basic Education Program	7,625,000	0	0	7,625,000
Early Childhood Education	310,333	0	0	310,333
School Food Service	6,343	0	705	7,048
Other State Education Funds	19,940	0	0	19,940
Coordinated School Health	88,232	0	0	88,232
Internet Connectivity	3,835	0	0	3,835
Family Resource Centers	29,146	0	0	29,146
Career Ladder Program	43,730	0	0	43,730
Career Ladder - Extended Contract	15,220	0	0	15,220

(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>Other State Revenues</u>				
Income Tax	\$ 2,336	\$ 0	\$ 0	\$ 2,336
State Revenue Sharing - T.V.A.	313,515	0	0	313,515
Other State Grants	2,995	0	0	2,995
Safe Schools	8,950	0	0	8,950
Total State of Tennessee	<u>\$ 8,495,981</u>	<u>\$ 0</u>	<u>\$ 705</u>	<u>\$ 8,496,686</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 333,766	\$ 333,766
USDA - Commodities	0	0	42,983	42,983
Breakfast	0	0	125,781	125,781
Vocational Education - Basic Grants to States	0	22,948	0	22,948
Title I Grants to Local Education Agencies	0	357,433	0	357,433
Special Education - Grants to States	65,194	263,092	0	328,286
Special Education Preschool Grants	0	13,616	0	13,616
Rural Education	0	19,767	0	19,767
Eisenhower Professional Development State Grants	0	76,315	0	76,315
Total Federal Government	<u>\$ 65,194</u>	<u>\$ 753,171</u>	<u>\$ 502,530</u>	<u>\$ 1,320,895</u>
Total	<u>\$ 9,945,970</u>	<u>\$ 753,171</u>	<u>\$ 769,993</u>	<u>\$ 11,469,134</u>

Exhibit K-8

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	32,055	
Social Security		2,046	
Unemployment Compensation		7	
Employer Medicare		479	
Audit Services		2,825	
Dues and Memberships		3,444	
Legal Services		12,000	
Legal Notices, Recording, and Court Costs		3,536	
Other Contracted Services		1,000	
Total County Commission			\$ 57,392

Board of Equalization

Board and Committee Members Fees	\$	500	
Social Security		31	
Unemployment Compensation		4	
Employer Medicare		7	
Total Board of Equalization			542

Budget and Finance Committee

Other Salaries and Wages	\$	1,054	
Board and Committee Members Fees		4,900	
Social Security		381	
Unemployment Compensation		4	
Employer Medicare		89	
Total Budget and Finance Committee			6,428

Other Boards and Committees

Part-time Personnel	\$	8,912	
Social Security		603	
Unemployment Compensation		104	
Employer Medicare		141	
Travel		50	
Instructional Supplies and Materials		2,999	
Other Supplies and Materials		2,000	
Other Charges		1,250	
Total Other Boards and Committees			16,059

County Mayor/Executive

County Official/Administrative Officer	\$	72,623	
Accountants/Bookkeepers		24,115	
Clerical Personnel		20,896	
In-service Training		238	
Social Security		7,294	
Unemployment Compensation		226	
Employer Medicare		1,706	
Data Processing Services		10,382	
Dues and Memberships		1,095	

(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.)

Travel	\$	2,000	
Office Supplies		2,609	
Premiums on Corporate Surety Bonds		2,606	
Total County Mayor/Executive			\$ 145,790

County Attorney

County Official/Administrative Officer	\$	19,038	
Dues and Memberships		100	
Total County Attorney			19,138

Election Commission

County Official/Administrative Officer	\$	56,588	
Clerical Personnel		16,542	
Election Commission		2,900	
Election Workers		26,726	
Social Security		5,292	
Unemployment Compensation		500	
Employer Medicare		1,238	
Data Processing Services		2,900	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		3,821	
Maintenance and Repair Services - Office Equipment		910	
Rentals		1,200	
Travel		1,730	
Data Processing Supplies		6,437	
Utilities		3,417	
Other Supplies and Materials		4,957	
Data Processing Equipment		2,916	
Voting Machines		921	
Total Election Commission			139,170

Register of Deeds

County Official/Administrative Officer	\$	62,876	
Deputy(ies)		17,112	
Social Security		4,959	
Unemployment Compensation		191	
Employer Medicare		1,160	
Dues and Memberships		432	
Printing, Stationery, and Forms		194	
Office Supplies		1,983	
Premiums on Corporate Surety Bonds		397	
Data Processing Equipment		2,374	
Office Equipment		290	
Total Register of Deeds			91,968

Development

Other Construction	\$	1,715	
Total Development			1,715

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Planning

Data Processing Personnel	\$	10,000	
Social Security		608	
Unemployment Compensation		48	
Employer Medicare		142	
Total Planning			\$ 10,798

Building

Maintenance and Repair Services - Buildings	\$	550	
Building Construction		400	
Total Building			950

County Buildings

Custodial Personnel	\$	22,144	
Social Security		1,373	
Unemployment Compensation		200	
Employer Medicare		321	
Maintenance Agreements		2,987	
Maintenance and Repair Services - Buildings		5,629	
Other Contracted Services		699	
Custodial Supplies		3,642	
Electricity		16,048	
Natural Gas		2,607	
Water and Sewer		3,198	
Building and Contents Insurance		8,000	
Other Construction		3,309	
Total County Buildings			70,157

Other General Administration

Postal Charges	\$	11,957	
Rentals		4,375	
Data Processing Supplies		2,997	
Total Other General Administration			19,329

Finance

Central Services

Other Salaries and Wages	\$	15,000	
Social Security		880	
Unemployment Compensation		106	
Employer Medicare		206	
Total Central Services			16,192

Property Assessor's Office

County Official/Administrative Officer	\$	62,876	
Secretary(ies)		14,581	
Social Security		4,802	
Unemployment Compensation		126	
Employer Medicare		1,123	

(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.)

Contracts with Private Agencies	\$	2,047	
Data Processing Services		1,800	
Dues and Memberships		1,175	
Legal Notices, Recording, and Court Costs		165	
Maintenance and Repair Services - Vehicles		830	
Travel		90	
Other Contracted Services		78	
Gasoline		184	
Office Supplies		407	
Total Property Assessor's Office			\$ 90,284

Reappraisal Program

Laborers	\$	5,077	
Clerical Personnel		270	
Social Security		332	
Unemployment Compensation		107	
Employer Medicare		78	
Data Processing Services		1,072	
Travel		157	
Total Reappraisal Program			7,093

County Trustee's Office

County Official/Administrative Officer	\$	62,876	
Clerical Personnel		20,527	
Other Salaries and Wages		3,192	
Social Security		5,369	
Unemployment Compensation		244	
Employer Medicare		1,256	
Data Processing Services		6,982	
Dues and Memberships		450	
Legal Notices, Recording, and Court Costs		167	
Travel		312	
Other Contracted Services		3,796	
Office Supplies		1,950	
Premiums on Corporate Surety Bonds		3,083	
Data Processing Equipment		3,807	
Office Equipment		98	
Total County Trustee's Office			114,109

County Clerk's Office

Deputy(ies)	\$	17,693
Secretary(ies)		30,352
Clerical Personnel		5,272
Other Salaries and Wages		4,467
Social Security		7,481
Unemployment Compensation		483
Employer Medicare		1,750

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Contracts with Private Agencies	\$	3,000	
Maintenance and Repair Services - Records		3,949	
Office Supplies		2,796	
Premiums on Corporate Surety Bonds		397	
Total County Clerk's Office			\$ 77,640

Data Processing

Library Books/Media	\$	1,993	
Office Supplies		1,180	
Total Data Processing			3,173

Other Finance

Remittance of Revenue Collected	\$	2,500	
Total Other Finance			2,500

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	45,099	
Deputy(ies)		19,292	
Clerical Personnel		19,070	
Other Salaries and Wages		5,971	
Jury and Witness Expense		4,953	
Social Security		6,033	
Unemployment Compensation		596	
Employer Medicare		1,411	
Dues and Memberships		417	
Legal Notices, Recording, and Court Costs		484	
Travel		71	
Office Supplies		2,748	
Premiums on Corporate Surety Bonds		794	
Data Processing Equipment		7,748	
Total Circuit Court			114,687

General Sessions Judge

Judge(s)	\$	50,074	
Salary Supplements		4,374	
Social Security		3,376	
Employer Medicare		790	
Dues and Memberships		220	
Travel		799	
Total General Sessions Judge			59,633

Chancery Court

County Official/Administrative Officer	\$	62,876	
Deputy(ies)		18,927	
Temporary Personnel		504	
Social Security		5,103	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Unemployment Compensation	\$	205	
Employer Medicare		1,193	
Dues and Memberships		417	
Legal Notices, Recording, and Court Costs		30	
Maintenance and Repair Services - Office Equipment		75	
Travel		350	
Office Supplies		1,073	
Data Processing Equipment		5,033	
Total Chancery Court			\$ 95,786

Juvenile Court

Judge(s)	\$	13,133	
Social Workers		28,480	
Guards		120	
Social Security		2,580	
Unemployment Compensation		178	
Employer Medicare		603	
Contracts with Private Agencies		1,060	
Travel		211	
Other Supplies and Materials		805	
Other Charges		92	
Total Juvenile Court			47,262

District Attorney General

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

Judicial Commissioners

Clerical Personnel	\$	13,133	
Social Security		814	
Employer Medicare		190	
Total Judicial Commissioners			14,137

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,168	
Deputy(ies)		260,417	
Salary Supplements		7,200	
Secretary(ies)		17,010	
In-service Training		11,317	
Social Security		21,880	
Unemployment Compensation		2,280	
Employer Medicare		5,117	
Communication		392	
Maintenance and Repair Services - Office Equipment		1,273	
Maintenance and Repair Services - Vehicles		9,431	
Postal Charges		629	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Travel	\$	3,836	
Gasoline		30,161	
Law Enforcement Supplies		495	
Office Supplies		1,000	
Tires and Tubes		7,430	
Uniforms		1,986	
Other Supplies and Materials		696	
Premiums on Corporate Surety Bonds		1,441	
Vehicle and Equipment Insurance		4,500	
Data Processing Equipment		1,704	
Law Enforcement Equipment		898	
Total Sheriff's Department			\$ 460,261

Special Patrols

Deputy(ies)	\$	25,359	
Social Security		1,632	
Unemployment Compensation		137	
Employer Medicare		382	
Law Enforcement Equipment		7,770	
Total Special Patrols			35,280

Drug Enforcement

Evaluation and Testing	\$	2,885	
Total Drug Enforcement			2,885

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$	100	
Total Administration of the Sexual Offender Registry			100

Jail

Guards	\$	254,571	
Secretary(ies)		20,251	
Cafeteria Personnel		9,707	
Social Security		17,641	
Unemployment Compensation		3,356	
Employer Medicare		4,126	
Communication		10,531	
Data Processing Services		975	
Dues and Memberships		1,000	
Maintenance and Repair Services - Buildings		10,892	
Maintenance and Repair Services - Equipment		5,306	
Maintenance and Repair Services - Office Equipment		950	
Medical and Dental Services		45,544	
Pest Control		300	
Postal Charges		556	
Custodial Supplies		5,589	
Electricity		29,274	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Food Supplies	\$	38,798	
Gasoline		5,526	
Law Enforcement Supplies		385	
Natural Gas		7,400	
Office Supplies		2,069	
Uniforms		2,512	
Water and Sewer		11,321	
Other Supplies and Materials		4,000	
Law Enforcement Equipment		510	
Total Jail			\$ 493,090

Fire Prevention and Control

Supervisor/Director	\$	30,299	
In-service Training		3,811	
Social Security		1,879	
Unemployment Compensation		180	
Employer Medicare		439	
Travel		620	
Electricity		1,476	
Equipment and Machinery Parts		10,616	
Gasoline		9,573	
Natural Gas		2,954	
Office Supplies		1,140	
Water and Sewer		565	
Other Charges		950	
Maintenance Equipment		13,453	
Total Fire Prevention and Control			77,955

Rural Fire Protection

Maintenance and Repair Services - Equipment	\$	417	
Maintenance Equipment		951	
Total Rural Fire Protection			1,368

Other Emergency Management

Supervisor/Director	\$	24,635	
Salary Supplements		5,593	
Dispatchers/Radio Operators		129,184	
Social Security		9,884	
Unemployment Compensation		1,919	
Employer Medicare		1,811	
Communication		3,423	
Contracts with Private Agencies		2,240	
Maintenance and Repair Services - Buildings		700	
Maintenance and Repair Services - Office Equipment		1,092	
Pest Control		105	
Custodial Supplies		1,391	
Electricity		4,313	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Natural Gas	\$	1,454	
Office Supplies		2,476	
Water and Sewer		540	
Total Other Emergency Management			\$ 190,760

County Coroner/Medical Examiner

Medical Personnel	\$	15,832	
Premiums on Corporate Surety Bonds		100	
Total County Coroner/Medical Examiner			15,932

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	4,800	
Social Security		223	
Unemployment Compensation		72	
Employer Medicare		52	
Communication		3,248	
Contracts with Government Agencies		16,410	
Maintenance and Repair Services - Buildings		6,725	
Custodial Supplies		101	
Electricity		5,882	
Office Supplies		290	
Water and Sewer		1,792	
Building and Contents Insurance		550	
Other Charges		1,000	
Total Local Health Center			41,145

Ambulance/Emergency Medical Services

Supervisor/Director	\$	37,418	
Accountants/Bookkeepers		24,470	
Medical Personnel		254,742	
Paraprofessionals		197,444	
In-service Training		980	
Social Security		31,841	
Unemployment Compensation		3,607	
Employer Medicare		7,512	
Contracts with Private Agencies		1,478	
Data Processing Services		8,100	
Licenses		1,500	
Maintenance and Repair Services - Buildings		385	
Maintenance and Repair Services - Office Equipment		30	
Maintenance and Repair Services - Vehicles		28,746	
Pest Control		540	
Postal Charges		919	
Travel		253	
Remittance of Revenue Collected		4,078	
Other Contracted Services		279	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Custodial Supplies	\$	938
Drugs and Medical Supplies		28,361
Electricity		5,912
Gasoline		24,195
Office Supplies		2,489
Uniforms		967
Utilities		4,430
Water and Sewer		395
Other Charges		206
Data Processing Equipment		1,800
Office Equipment		3,642

Total Ambulance/Emergency Medical Services \$ 677,657

Other Local Health Services

Career Ladder Extended Contracts	\$	1,440
Medical Personnel		22,562
In-service Training		540
Social Security		1,399
Unemployment Compensation		180
Employer Medicare		327
Travel		70
Office Supplies		4,242
Other Supplies and Materials		7,678
Other Charges		2,847

Total Other Local Health Services 41,285

Regional Mental Health Center

Assistant(s)	\$	1,720
Supervisor/Director		6,600
Deputy(ies)		9,082
Youth Service Officer(s)		2,080
Accountants/Bookkeepers		2,900
Social Security		1,243
Unemployment Compensation		17
Employer Medicare		291
Communication		300
Consultants		855
Travel		1,451
Other Contracted Services		221
Office Supplies		1,208

Total Regional Mental Health Center 27,968

Sanitation Education/Information

Laborers	\$	15,004
Clerical Personnel		6,700
Social Security		1,346
Unemployment Compensation		289

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Employer Medicare	\$	315	
Maintenance and Repair Services - Vehicles		1,074	
Gasoline		2,523	
Other Supplies and Materials		398	
Other Charges		4,927	
Total Sanitation Education/Information			\$ 32,576

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	48,890	
Total Adult Activities			48,890

Libraries

Deputy(ies)	\$	19,121	
Librarians		24,300	
Clerical Personnel		18,500	
Part-time Personnel		8,718	
Other Salaries and Wages		1,718	
Social Security		4,463	
Unemployment Compensation		742	
Employer Medicare		1,044	
Dues and Memberships		100	
Janitorial Services		2,280	
Maintenance and Repair Services - Buildings		2,300	
Postal Charges		400	
Travel		648	
Other Contracted Services		500	
Custodial Supplies		516	
Data Processing Supplies		2,046	
Electricity		7,152	
Library Books/Media		11,362	
Natural Gas		915	
Office Supplies		2,825	
Water and Sewer		460	
Other Supplies and Materials		305	
Total Libraries			110,415

Parks and Fair Boards

Custodial Supplies	\$	286	
Electricity		788	
Water and Sewer		104	
Total Parks and Fair Boards			1,178

Other Social, Cultural, and Recreational

Contracts with Other Public Agencies	\$	19,500	
Total Other Social, Cultural, and Recreational			19,500

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture and Natural Resources

Agricultural Extension Service

Assistant(s)	\$	9,527	
Supervisor/Director		11,794	
Secretary(ies)		5,855	
Social Security		1,238	
Local Retirement		3,036	
Travel		2,499	
Office Supplies		242	
Data Processing Equipment		295	
Other Equipment		950	
Total Agricultural Extension Service			\$ 35,436

Forest Service

Other Equipment	\$	2,037	
Total Forest Service			2,037

Soil Conservation

Board and Committee Members Fees	\$	7,172	
Social Security		445	
Unemployment Compensation		144	
Employer Medicare		104	
Contributions		600	
Total Soil Conservation			8,465

Other Operations

Tourism

Maintenance Personnel	\$	7,983	
Social Security		245	
Unemployment Compensation		85	
Employer Medicare		56	
Contracts with Other Public Agencies		1,618	
Maintenance and Repair Services - Buildings		2,803	
Maintenance and Repair Services - Equipment		679	
Electricity		3,904	
Garage Supplies		1,250	
Refunds		800	
Building Improvements		4,154	
Total Tourism			23,577

Tourism-resort District

Other Contracted Services	\$	128,207	
Electricity		187	
Water and Sewer		52	
Total Tourism-resort District			128,446

Other Economic and Community Development

County Official/Administrative Officer	\$	28,135	
Assistant(s)		9,641	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development (Cont.)

In-service Training	\$	933	
Social Security		2,342	
Unemployment Compensation		373	
Employer Medicare		548	
Maintenance and Repair Services - Buildings		1,588	
Custodial Supplies		291	
Food Supplies		11,111	
Office Supplies		482	
Utilities		8,533	
Other Supplies and Materials		1,530	
Building and Contents Insurance		2,500	
Other Charges		66	
Office Equipment		2,358	
Total Other Economic and Community Development			\$ 70,431

Airport

Part-time Personnel	\$	17,800	
Social Security		868	
Unemployment Compensation		178	
Employer Medicare		203	
Maintenance Agreements		6,008	
Maintenance and Repair Services - Buildings		590	
Diesel Fuel		2,583	
Electricity		1,498	
Water and Sewer		300	
Building and Contents Insurance		1,918	
Total Airport			31,946

Veterans' Services

Supervisor/Director	\$	14,280	
Social Security		885	
Unemployment Compensation		180	
Employer Medicare		207	
Communication		1,127	
Travel		819	
Electricity		400	
Natural Gas		250	
Water and Sewer		180	
Other Supplies and Materials		1,115	
Office Equipment		988	
Total Veterans' Services			20,431

Other Charges

Communication	\$	46,301	
Total Other Charges			46,301

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Contributions to Other Agencies

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

Employee Benefits

Social Security	\$ 525	
Medical Insurance	133,538	
Workers' Compensation Insurance	68,559	
Total Employee Benefits		202,622

Payments to Cities

Matching Share	\$ 6,910	
Total Payments to Cities		6,910

Miscellaneous

Dues and Memberships	\$ 400	
Remittance of Revenue Collected	13,195	
Liability Insurance	73,992	
Trustee's Commission	53,211	
Other Charges	1,000	
Total Miscellaneous		141,798

Interest on Debt

General Government

Interest on Notes	\$ 9,395	
Total General Government		9,395

Capital Projects

General Administration Projects

Building Improvements	\$ 35,762	
Total General Administration Projects		35,762

Social, Cultural, and Recreation Projects

Health Equipment	\$ 10,000	
Total Social, Cultural, and Recreation Projects		10,000

Total General Fund		\$ 4,277,819
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Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Equipment Operators	\$ 51,793	
Other Salaries and Wages	5,459	
Social Security	3,550	
Unemployment Compensation	494	
Employer Medicare	830	
Communication	738	
Contracts with Private Agencies	176,468	

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Operating Lease Payments	\$	12,000	
Maintenance and Repair Services - Equipment		13,125	
Travel		32	
Disposal Fees		2,500	
Diesel Fuel		1,594	
Electricity		2,163	
Gasoline		263	
Water and Sewer		2,400	
Maintenance Equipment		1,880	
Total Convenience Centers			\$ 275,289

Landfill Operation and Maintenance

General Construction Materials	\$	2,629	
Total Landfill Operation and Maintenance			2,629

Other Operations

Other Charges

Trustee's Commission	\$	4,579	
Total Other Charges			4,579

Employee Benefits

Medical Insurance	\$	7,713	
Total Employee Benefits			7,713

Total Solid Waste/Sanitation Fund \$ 290,210

Special Purpose Fund

Public Health and Welfare

Other Local Health Services

Building Improvements	\$	330,709	
Total Other Local Health Services			\$ 330,709

Other Operations

Other Charges

Trustee's Commission	\$	15,268	
Total Other Charges			15,268

Total Special Purpose Fund 345,977

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$	1,785	
Other Charges		2,921	
Law Enforcement Equipment		2,364	
Total Drug Enforcement			\$ 7,070

Total Drug Control Fund 7,070

(Continued)

Exhibit K-8

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

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 64,094	
Total County Clerk's Office		\$ 64,094

Total Constitutional Officers - Fees Fund \$ 64,094

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 69,168	
Accountants/Bookkeepers	33,847	
Secretary(ies)	34,946	
Overtime Pay	756	
Data Processing Services	6,260	
Dues and Memberships	1,972	
Freight Expenses	941	
Operating Lease Payments	2,631	
Legal Notices, Recording, and Court Costs	286	
Postal Charges	344	
Printing, Stationery, and Forms	842	
Travel	1,084	
Office Supplies	1,474	
Other Charges	623	
Total Administration		\$ 155,174

Highway and Bridge Maintenance

Foremen	\$ 32,922	
Equipment Operators	221,144	
Truck Drivers	178,554	
Laborers	36,167	
Overtime Pay	10,813	
Other Contracted Services	127,235	
Asphalt - Cold Mix	8,716	
Asphalt - Liquid	203,954	
Crushed Stone	195,493	
Ice	1,204	
Other Road Materials	160	
Pipe - Metal	14,324	
Road Signs	3,618	
Structural Steel	25	
Wood Products	3,056	
Other Supplies and Materials	2,847	
Total Highway and Bridge Maintenance		1,040,232

Operation and Maintenance of Equipment

Mechanic(s)	\$ 28,871
Overtime Pay	193
Licenses	18

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Maintenance and Repair Services - Equipment	\$	6,910	
Maintenance and Repair Services - Vehicles		4,390	
Diesel Fuel		55,739	
Equipment and Machinery Parts		27,512	
Garage Supplies		4,685	
Gasoline		19,031	
Lubricants		2,888	
Small Tools		1,246	
Tires and Tubes		12,918	
Vehicle Parts		11,125	
Total Operation and Maintenance of Equipment			\$ 175,526

Other Charges

Communication	\$	15,724	
Contracts with Private Agencies		1,145	
Janitorial Services		1,856	
Pest Control		75	
Rentals		22	
Custodial Supplies		286	
Drugs and Medical Supplies		132	
Electricity		3,676	
Water and Sewer		425	
Other Supplies and Materials		214	
Premiums on Corporate Surety Bonds		793	
Trustee's Commission		13,181	
Vehicle and Equipment Insurance		16,304	
Other Charges		3,949	
Total Other Charges			57,782

Employee Benefits

Social Security	\$	36,603	
Life Insurance		7,214	
Medical Insurance		141,582	
Unemployment Compensation		6,348	
Employer Medicare		8,560	
Laundry Service		3,178	
Workers' Compensation Insurance		34,856	
Total Employee Benefits			238,341

Capital Outlay

Engineering Services	\$	1,726	
Highway Equipment		169,908	
Motor Vehicles		3,500	
State Aid Projects		390,139	
Total Capital Outlay			565,273

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Principal on Debt

Highways and Streets

Principal on Notes	\$ 22,900	
Total Highways and Streets		\$ 22,900

Interest on Debt

Highways and Streets

Interest on Notes	\$ 7,044	
Total Highways and Streets		<u>7,044</u>

Total Highway/Public Works Fund		\$ 2,262,272
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 26,072	
Principal on Notes	314,849	
Principal on Other Loans	<u>168,000</u>	
Total General Government		\$ 508,921

Education

Principal on Notes	\$ 55,556	
Principal on Other Loans	<u>376,000</u>	
Total Education		431,556

Interest on Debt

General Government

Interest on Bonds	\$ 4,798	
Interest on Notes	31,436	
Interest on Other Loans	<u>32,271</u>	
Total General Government		68,505

Education

Interest on Notes	\$ 7,482	
Interest on Other Loans	<u>102,398</u>	
Total Education		109,880

Other Debt Service

General Government

Trustee's Commission	\$ 7,732	
Total General Government		<u>7,732</u>

Total General Debt Service Fund		1,126,594
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General Capital Projects Fund

Other Operations

Industrial Development

County Official/Administrative Officer	\$ 13,875	
Engineering Services	34,462	
Building Construction	<u>907,115</u>	
Total Industrial Development		<u>\$ 955,452</u>

Total General Capital Projects Fund		955,452
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(Continued)

Exhibit K-8

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

<u>Community Development/Industrial Park Fund</u>			
<u>Other Operations</u>			
<u>Other Economic and Community Development</u>			
Accountants/Bookkeepers	\$	2,500	
Engineering Services		<u>21,000</u>	
Total Other Economic and Community Development			\$ <u>23,500</u>
Total Community Development/Industrial Park Fund			\$ 23,500
<u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Accountants/Bookkeepers	\$	1,875	
Engineering Services		185	
Evaluation and Testing		504	
Other Construction		<u>27,459</u>	
Total Public Health and Welfare Projects			\$ <u>30,023</u>
Total Other Capital Projects Fund			<u>30,023</u>
Total Governmental Funds - Primary Government			<u>\$ 9,383,011</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, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,221,416	
Career Ladder Program		30,200	
Career Ladder Extended Contracts		10,390	
Homebound Teachers		7,190	
Educational Assistants		144,214	
Other Salaries and Wages		77,013	
Non-certified Substitute Teachers		54,974	
Social Security		205,922	
Pensions		294,224	
Life Insurance		1,297	
Medical Insurance		355,641	
Employer Medicare		47,976	
Other Contracted Services		98,480	
Instructional Supplies and Materials		45,247	
Textbooks		94,861	
Other Supplies and Materials		5,643	
Other Charges		167	
Regular Instruction Equipment		62,039	
Total Regular Instruction Program			\$ 4,756,894

Special Education Program

Teachers	\$	327,476	
Career Ladder Program		1,000	
Educational Assistants		78,600	
Certified Substitute Teachers		50	
Non-certified Substitute Teachers		7,690	
Social Security		23,015	
Pensions		27,723	
Medical Insurance		51,820	
Employer Medicare		5,383	
Instructional Supplies and Materials		1,053	
Other Supplies and Materials		403	
Other Charges		80	
Special Education Equipment		6,420	
Total Special Education Program			530,713

Vocational Education Program

Teachers	\$	183,591	
Non-certified Substitute Teachers		1,690	
Social Security		9,823	
Pensions		16,597	
Medical Insurance		28,922	
Employer Medicare		2,297	
Instructional Supplies and Materials		668	
Total Vocational Education Program			243,588

(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	\$	26,055	
Career Ladder Program		500	
Social Security		1,476	
Employer Medicare		345	
Total Attendance			\$ 28,376

Health Services

Medical Personnel	\$	15,200	
Other Salaries and Wages		43,332	
Social Security		3,554	
Pensions		330	
Employer Medicare		831	
Travel		2,764	
Drugs and Medical Supplies		357	
Other Supplies and Materials		39,307	
Total Health Services			105,675

Other Student Support

Guidance Personnel	\$	140,153	
Psychological Personnel		4,593	
Assessment Personnel		4,593	
School Resource Officer		14,500	
Social Security		8,592	
Pensions		13,693	
Medical Insurance		9,746	
Employer Medicare		2,009	
Evaluation and Testing		2,192	
Travel		388	
Other Supplies and Materials		138	
Total Other Student Support			200,597

Regular Instruction Program

Supervisor/Director	\$	205,450	
Career Ladder Program		4,000	
Librarians		154,618	
Instructional Computer Personnel		79,600	
Social Security		25,743	
Pensions		30,698	
Medical Insurance		28,746	
Employer Medicare		6,020	
Travel		1,640	
Library Books/Media		7,000	
Other Supplies and Materials		54	
In Service/Staff Development		7,789	
Other Charges		405	
Other Equipment		449	
Total Regular Instruction Program			552,212

(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	\$	46,247	
Career Ladder Program		1,000	
Social Security		2,406	
Pensions		4,271	
Medical Insurance		7,359	
Employer Medicare		563	
Maintenance and Repair Services - Equipment		1,022	
Total Alternative Instruction Program			\$ 62,868

Special Education Program

Supervisor/Director	\$	38,276	
Psychological Personnel		45,929	
Social Security		5,077	
Pensions		7,607	
Medical Insurance		2,483	
Employer Medicare		1,187	
Travel		936	
Other Contracted Services		50,631	
Other Supplies and Materials		86	
In Service/Staff Development		2,930	
Total Special Education Program			155,142

Other Programs

On-behalf Payments to OPEB	\$	26,406	
Total Other Programs			26,406

Board of Education

Board and Committee Members Fees	\$	5,150	
Social Security		319	
Unemployment Compensation		19,519	
Employer Medicare		75	
Audit Services		3,700	
Dues and Memberships		2,087	
Legal Services		14,720	
Other Contracted Services		6,831	
Other Supplies and Materials		301	
Liability Insurance		141,890	
Premiums on Corporate Surety Bonds		50	
Trustee's Commission		38,412	
Workers' Compensation Insurance		94,709	
In Service/Staff Development		2,631	
Fines, Assessments, and Penalties		35,956	
Criminal Investigation of Applicants - TBI		2,364	
Other Charges		7,533	
Total Board of Education			376,247

(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	\$	91,000	
Assistant(s)		5,004	
Career Ladder Program		1,000	
Secretary(ies)		37,675	
Clerical Personnel		31,000	
Social Security		9,441	
Pensions		8,342	
Medical Insurance		10,737	
Employer Medicare		2,208	
Communication		5,859	
Dues and Memberships		1,791	
Postal Charges		2,588	
In Service/Staff Development		2,077	
Administration Equipment		281	
Total Director of Schools			\$ 209,003

Office of the Principal

Principals	\$	263,498	
Career Ladder Program		3,000	
Assistant Principals		11,021	
Secretary(ies)		87,376	
Clerical Personnel		65,078	
Social Security		25,577	
Pensions		25,054	
Medical Insurance		10,085	
Employer Medicare		5,982	
Communication		9,919	
Dues and Memberships		3,000	
Travel		92	
In Service/Staff Development		152	
Other Charges		4,580	
Total Office of the Principal			514,414

Fiscal Services

Accountants/Bookkeepers	\$	77,583	
Social Security		4,684	
Employer Medicare		1,096	
Other Contracted Services		11,593	
Data Processing Supplies		2,074	
Office Supplies		5,690	
Other Supplies and Materials		12	
In Service/Staff Development		2,343	
Administration Equipment		1,255	
Total Fiscal Services			106,330

(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

Guards	\$	27,664	
Custodial Personnel		174,614	
Other Salaries and Wages		40,079	
Social Security		14,897	
Medical Insurance		5,875	
Employer Medicare		3,484	
Rentals		12,000	
Disposal Fees		5,533	
Other Contracted Services		14,559	
Custodial Supplies		17,883	
Electricity		354,303	
Natural Gas		51,620	
Water and Sewer		64,701	
Other Supplies and Materials		190	
Boiler Insurance		4,233	
Other Charges		250	
Total Operation of Plant			\$ 791,885

Maintenance of Plant

Maintenance Personnel	\$	97,525	
Social Security		6,024	
Employer Medicare		1,409	
Maintenance and Repair Services - Buildings		31,750	
Maintenance and Repair Services - Equipment		17,169	
Equipment and Machinery Parts		918	
Other Supplies and Materials		3,608	
Total Maintenance of Plant			158,403

Transportation

Supervisor/Director	\$	41,000	
Mechanic(s)		71,000	
Bus Drivers		151,168	
Other Salaries and Wages		15,052	
Social Security		16,474	
Medical Insurance		9,956	
Employer Medicare		3,853	
Communication		2,091	
Maintenance and Repair Services - Vehicles		4,103	
Medical and Dental Services		2,280	
Travel		908	
Other Contracted Services		1,285	
Garage Supplies		5,962	
Gasoline		73,094	
Lubricants		446	
Tires and Tubes		12,780	
Vehicle Parts		18,947	

(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.)

Other Supplies and Materials	\$	1,880	
In Service/Staff Development		1,869	
Other Charges		412	
Transportation Equipment		116,306	
Total Transportation			\$ 550,866

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	31,000	
Social Security		1,843	
Medical Insurance		2,191	
Employer Medicare		431	
Total Food Service			35,465

Community Services

Supervisor/Director	\$	19,000	
Other Salaries and Wages		6,000	
Social Security		1,543	
Employer Medicare		361	
Travel		655	
Other Supplies and Materials		1,347	
Other Equipment		240	
Total Community Services			29,146

Early Childhood Education

Supervisor/Director	\$	31,317	
Teachers		128,633	
Educational Assistants		58,403	
Other Salaries and Wages		34,335	
Non-certified Substitute Teachers		3,020	
Social Security		15,294	
Pensions		14,456	
Medical Insurance		5,933	
Employer Medicare		3,577	
Instructional Supplies and Materials		3,382	
Other Supplies and Materials		3,405	
In Service/Staff Development		1,743	
Other Charges		1,065	
Other Equipment		15,771	
Total Early Childhood Education			320,334

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	5,000	
Building Improvements		679,955	
Other Capital Outlay		14,747	
Total Regular Capital Outlay			699,702

(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	\$ 463,038	
Total Education		\$ 463,038

Total General Purpose School Fund \$ 10,917,304

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 187,376	
Educational Assistants	96,280	
Non-certified Substitute Teachers	2,510	
Social Security	16,795	
Pensions	15,292	
Medical Insurance	18,675	
Employer Medicare	3,928	
Other Contracted Services	19,743	
Instructional Supplies and Materials	14,633	
Other Supplies and Materials	919	
Regular Instruction Equipment	27,236	
Total Regular Instruction Program		\$ 403,387

Special Education Program

Teachers	\$ 55,972	
Educational Assistants	108,681	
Speech Pathologist	57,853	
Social Security	13,157	
Pensions	8,303	
Medical Insurance	9,542	
Employer Medicare	3,077	
Other Supplies and Materials	444	
Total Special Education Program		257,029

Vocational Education Program

Instructional Supplies and Materials	\$ 2,518	
Vocational Instruction Equipment	16,448	
Total Vocational Education Program		18,966

Support Services

Other Student Support

Travel	\$ 3,408	
Total Other Student Support		3,408

Regular Instruction Program

Other Contracted Services	\$ 33,977	
Other Supplies and Materials	490	
In Service/Staff Development	15,661	
Total Regular Instruction Program		50,128

(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>Special Education Program</u>			
Other Contracted Services	\$	19,680	
Total Special Education Program			\$ 19,680
 <u>Vocational Education Program</u>			
Travel	\$	473	
In Service/Staff Development		100	
Total Vocational Education Program			<u>573</u>
Total School Federal Projects Fund			\$ 753,171
 <u>Central Cafeteria Fund</u>			
<u>Operation of Non-Instructional Services</u>			
<u>Food Service</u>			
Cafeteria Personnel	\$	270,228	
Social Security		16,564	
Medical Insurance		2,552	
Employer Medicare		3,955	
Communication		1,995	
Maintenance and Repair Services - Equipment		8,302	
Travel		2,457	
Other Contracted Services		14,720	
Food Supplies		350,405	
USDA - Commodities		42,983	
Other Supplies and Materials		34,257	
In Service/Staff Development		660	
Other Charges		5,467	
Food Service Equipment		16,097	
Total Food Service			<u>\$ 770,642</u>
Total Central Cafeteria Fund			<u>770,642</u>
Total Governmental Funds - Houston County School Department			<u>\$ 12,441,117</u>

Exhibit K-10

Houston County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2015

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 465,634
Total Cash Receipts	<u>\$ 465,634</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 460,978
Trustee's Commission	4,656
Total Cash Disbursements	<u>\$ 465,634</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2014	<u>0</u>
Cash Balance, June 30, 2015	<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, 2015, and the related notes to the financial statements, which collectively comprise Houston County's basic financial statements, and have issued our report thereon dated February 16, 2016. Our report includes a reference to other auditors who audited the financial statements of the Houston County Community Hospital, 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-001, 2015-002, 2015-004(A), and 2015-005.

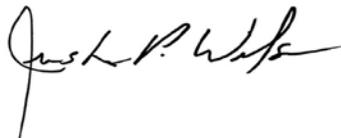
Compliance and Other Matters

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: 2015-003, and 2015-004(B).

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,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 16, 2016

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

Report on Compliance 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 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, 2015. 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, 2015.

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.

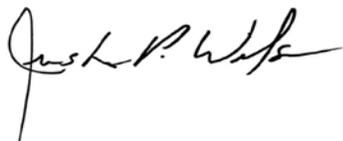
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2015, and the related notes to the financial statements, which collectively comprise Houston County's basic financial statements. We issued our report thereon dated February 16, 2016, 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 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 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

February 16, 2016

JPW/yu

Houston County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

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	\$ 125,781
National School Lunch Program	10.555	N/A	333,766 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	42,983 (3)
Passed-through National Resources Conservation Service:			
ARRA - Emergency Watershed Protection Program	10.923	68-4741-3-015	99,033
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	380,509 (4)
Total U.S. Department of Agriculture			\$ 982,072
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.UNKNOWN	(2)	\$ 34,976
Total U.S. Department of Defense			\$ 34,976
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)	\$ 992,756
Total U.S. Department of Housing and Urban Development			\$ 992,756
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 13,500
Total U.S. Department of Justice			\$ 13,500
U.S. Department of Transportation:			
Passed-through State Department of Environment and Conservation:			
Recreational Trails Program	20.219	(2)	\$ 68,000
Passed-through State Department of Transportation:			
National Priority Safety Programs	20.616	(2)	41,013
Total U.S. Department of Transportation			\$ 109,013
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 357,433
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	328,286
Special Education - Preschool Grants	84.173	N/A	13,616
Career and Technical Education - Basic Grants to States	84.048	N/A	22,948
Rural Education	84.358	N/A	19,767
Improving Teacher Quality State Grants	84.367	N/A	76,315
Total U.S. Department of Education			\$ 818,365
U.S. Department of Health and Human Services:			
Direct Program:			
Drug-free Communities Support Program Grants	93.276	N/A	\$ 27,901
Passed-through State Department of Health:			
Small Rural Hospital Improvement Program Grant	93.301	(2)	10,065
Total U.S. Department of Health and Human Services			\$ 37,966

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1979-DR-TN	\$ 71,542
Homeland Security Grant Program	97.067	EMW-2014-SS-00009	1,480
Total U.S. Department of Homeland Security			<u>\$ 73,022</u>
Total Expenditures of Federal Awards			<u>\$ 3,061,670</u>

<u>State Grants</u>		<u>Contract Number</u>	
ConnecTenn Grant - State Department of Education	N/A	(2)	\$ 3,835
Early Childhood Education - State Department of Education	N/A	(2)	310,333
Coordinated School Health - State Department of Education	N/A	(2)	88,232
Family Resource Center - State Department of Education	N/A	(2)	29,146
Safe Schools - State Department of Education	N/A	(2)	8,950
Student Ticket Subsidy Grant - State Department of Education	N/A	(2)	2,995
ACT/EXP - Internet Connectivity - State Department of Education	N/A	(2)	2,192
Preventive Health and Human Services - State Department of Health	N/A	(2)	26,447
Three Star Economic Development Grant - State Department of Economic and Community Development	N/A	(2)	10,000
Library Technology - Tennessee Secretary of State	N/A	(2)	2,000
Litter Grant - State Department of Transportation	N/A	(2)	27,567
Arts Build Communities - Southeast Tennessee Development District	N/A	(2)	<u>1,200</u>
Total State Grants			<u>\$ 512,897</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$376,749.
- (4) 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. During the 2014-15 year, Houston County received an additional loan of \$330,709. The county expended \$365,709 and had an outstanding loan balance of \$6,557,479. The county also received an additional \$14,800 grant during the 2014-15 year under CFDA No. 10.766 that they are not required to repay.

Houston County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

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, 2014, which have not been corrected.

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-009	180	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>
2014-010	180	Bank statements were not accurately reconciled with the general ledger
2014-011	181	The General Sessions and Juvenile Courts execution docket trial balance did not reconcile with cash journal accounts

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-013	182	Duties were not segregated adequately

HOUSTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

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. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Houston County.
4. The audit reported 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. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Community Development Block Grants/State's Program (CFDA No. 14.228), and Title I Grants to Local Educational Agencies (CFDA No. 84.010) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Houston County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICES OF COUNTY CLERK AND CLERK AND MASTER

FINDING 2015-001

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 2015-002

BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGERS

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

Bank statements for General Sessions and Juvenile Courts had not been accurately reconciled with the general ledgers on a monthly basis. Employees had attempted to reconcile the bank accounts a few times during the year and had posted several general journal entries to balance the accounts. However, these journal entries were not adequately explained, and 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 all cash collections are recorded accurately in the accounting records. This deficiency exists due to a lack of effort by management to correct the finding noted in prior-year audit reports.

RECOMMENDATION

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

FINDING 2015-003

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

At June 30, 2015, the general sessions and juvenile courts clerk had prepared trial balances of execution docket cause balances as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, the trial balances did not reconcile with cash journal accounts. The clerk held unidentified funds of \$12,069 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 exists due to a lack of effort by management to correct the finding noted in prior-year audit reports.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 2015-004

THE OFFICE HAD ACCOUNTING DEFICIENCIES (A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

The following deficiencies were noted during our examination of the accounting records. These deficiencies can be attributed to a lack of management oversight.

- A. The office did not maintain any accounting records for transactions of the commissary. In addition, the official cash journal did not include the commissary account, and the office was unable to provide any subsidiary reports from the commissary software. The annual financial report did include the commissary account; however, the reported amounts were incorrect. We have included commissary receipts (\$29,697) and

disbursements (\$28,725) in the financial statements of this report based on amounts we summarized from available bank statements. The failure to properly maintain records of commissary transactions allows errors to occur and not be detected and increases the risks of fraud and abuse.

- B. The office did not prepare and file an annual financial report with the county mayor and county clerk until December 8, 2015, when it was brought to their attention during the audit. Section 5-8-505, *Tennessee Code Annotated*, provides that the report for the year ended June 30, 2015, be filed and made available to each member of the County Commission on or before the next meeting of the County Commission. The next meeting of the County Commission subsequent to June 30, 2015, was July 20, 2015.

RECOMMENDATION

The official cash journal should reflect all financial operations of the Sheriff's Department. The office should consult with their software vendor to obtain reports of commissary transactions. The office should file an accurate annual financial report with the county mayor and the county clerk as required by state statute.

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 2015-005

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. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability of 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.

**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, 2015**

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