

ANNUAL FINANCIAL REPORT
HOUSTON COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018



DIVISION OF LOCAL GOVERNMENT AUDIT



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FOR THE YEAR ENDED JUNE 30, 2018

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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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, 2018

Scope

We have audited the basic financial statements of Houston County as of and for the year ended June 30, 2018.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ The General and General Debt Service funds required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in budget operations.
- ◆ The office did not file a Report on Debt Obligation with the state Comptroller's Office in a timely manner.

OFFICE OF ROAD SUPERINTENDENT

- ◆ Highway/Public Works Fund appropriations exceeded estimated available funding.

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ A lease-purchase agreement was not issued in compliance with state statutes.

OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK

- ◆ 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 COUNTY CLERK AND REGISTER OF DEEDS

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Houston County Officials

June 30, 2018

Officials

George Clark, County Mayor
George Dew, Road Superintendent
Kris McAskill, Director of Schools
Jimmy Lowery, Trustee
Joy Hooper, Assessor of Property
Robert Brown, County Clerk
Donna Vincent, 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	George Jeram
William Agy	Darrell Kingsmill
Joey Brake	Brant Lamastus
Ray Elliott	Chris Selph
Randall French	Howard Spurgeon
James Fussell	Larry Sykes
Martha Greenfield	Lance Uffelman
Steve Hall	

Board of Education

Jeff Mathis, Chairman	Miller Moore
Amanda Fansler	Amanda Popp
Charlie Ligon	Eddie Shelton
Travis Mitchell	

Audit Committee

Howard Spurgeon, Chairman	Brant Lamastus
Randall French	Chris Selph

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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, 2018, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Summary of Opinions

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

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

As discussed in Note I., the financial statements of the Houston County Community Hospital, a major enterprise fund, and the entire business-type activities, had not been made available by other auditors as of the date of this report. Accordingly, the financial statements referred to above do not include amounts for the business-type activities and the Houston County Community Hospital, a major enterprise fund, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the business-type activities and the Houston County Community Hospital, a major enterprise fund, are not reasonably determinable.

Adverse Opinions

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinions on Business-type Activities and Major Enterprise Fund” paragraph, the financial statements referred to above do not present fairly the financial position of the business-type activities of Houston County, Tennessee, as of June 30, 2018, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In addition, in our opinion, because of the significance of the matter described in the “Basis for Adverse Opinions on Business-type Activities and Major Enterprise Fund” paragraph, the financial statements referred to above do not present fairly the financial position of the Houston County Community Hospital, a major enterprise fund of Houston County, Tennessee, as of June 30, 2018, or the changes in financial position or cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund (except for the Houston County Community Hospital, a major enterprise fund), and the aggregate remaining fund information of Houston County, Tennessee, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the General, Special Purpose, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Houston County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.9. to the financial statements, which describes restatements reducing the beginning net position of the Governmental Activities of the primary government and the discretely presented Houston County School Department by \$1,058 and \$337,345, respectively, on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than 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, schedules of school's proportionate share of the net pension assets, and schedules of highway and school changes in the total OPEB liability and related ratios - other postemployment benefits plans on pages 86-92 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 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), miscellaneous schedules, and other information such as the introductory section and management's corrective action plans are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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), schedule of expenditures of federal awards, and

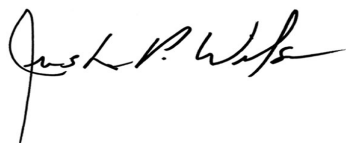
miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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 School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and management's corrective action plans have 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 8, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Houston County's 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 8, 2019

JPW/tg

BASIC FINANCIAL STATEMENTS

Exhibit A

Houston County, Tennessee
Statement of Net Position
June 30, 2018

	Primary Government Governmental Activities	Component Unit Houston County School Department
<u>ASSETS</u>		
Cash	\$ 10,070	\$ 714
Equity in Pooled Cash and Investments	1,456,913	4,041,351
Accounts Receivable	1,176,973	0
Allowance for Uncollectibles	(687,089)	0
Due from Other Governments	449,199	349,305
Due from Component Unit	135,857	0
Property Taxes Receivable	3,751,012	747,383
Allowance for Uncollectible Property Taxes	(163,616)	(32,600)
Accrued Interest Receivable	0	13,493
Net Pension Asset - Teacher Retirement Plan	0	17,642
Net Pension Asset - Teacher Legacy Plan	0	45,728
Capital Assets:		
Assets Not Depreciated:		
Land	758,147	483,220
Construction in Progress	119,173	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,436,167	6,253,831
Infrastructure	1,649,147	0
Other Capital Assets	1,739,241	1,125,713
Total Assets	<u>\$ 14,831,194</u>	<u>\$ 13,045,780</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Charge on Refunding	\$ 371,002	\$ 0
Pension Changes in Experience	0	28,186
Pension Changes in Investment Earnings	0	6,941
Pension Changes in Assumptions	0	388,842
Pension Changes in Proportion	0	39,537
Pension Contributions After Measurement Date	0	479,918
OPEB Contributions After Measurement Date	0	56,329
Total Liabilities	<u>\$ 371,002</u>	<u>\$ 999,753</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 16,629	\$ 148,527
Payroll Deductions Payable	1	94,849
Contracts Payable	2,000	0
Due to State of Tennessee	50	0
Accrued Interest Payable	27,039	0
Due from Primary Government	0	135,857
Noncurrent Liabilities:		
Due Within One Year	1,296,607	0
Due in More Than One Year	14,695,708	700,914
Total Liabilities	<u>\$ 16,038,034</u>	<u>\$ 1,080,147</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Houston County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 3,420,212	\$ 681,471
Pension Changes in Experience	0	945,400
Pension Changes in Investment Earnings	0	949
Pension Changes in Proportion	0	12,107
OPEB Change in Assumptions	401	27,606
Total Deferred Inflows of Resources	<u>\$ 3,420,613</u>	<u>\$ 1,667,533</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 6,618,281	\$ 7,862,764
Restricted for:		
General Government	256,909	0
Finance	4,930	0
Administration of Justice	30,613	0
Public Safety	232,667	0
Public Health and Welfare	43,548	0
Highway/Public Works	677,513	0
Capital Outlay	67,652	80,333
Debt Service	346,538	0
Operation of Non-instructional Services	0	276,955
Pensions	0	63,370
Unrestricted	<u>(12,535,102)</u>	<u>3,014,431</u>
Total Net Position	<u>\$ (4,256,451)</u>	<u>\$ 11,297,853</u>

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

Exhibit B

Houston County, Tennessee
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
					Total	Houston
					Governmental	School
					Activities	Department
Primary Government:						
Governmental Activities:						
General Government	\$ 1,006,318	\$ 70,399	\$ 266,859	\$ 0	\$ (669,060)	\$ 0
Finance	416,523	268,761	0	0	(147,762)	0
Administration of Justice	434,205	150,050	33,358	0	(250,797)	0
Public Safety	2,123,521	136,884	325,811	84,518	(1,576,308)	0
Public Health and Welfare	1,234,373	739,312	37,180	18,953	(438,928)	0
Social, Cultural, and Recreational Services	342,025	62	523		(341,440)	0
Agriculture and Natural Resources	54,850	0	0	0	(54,850)	0
Highway/Public Works	2,137,980	0	1,887,873	610,689	360,582	0
Education	530,738	0	0	0	(530,738)	0
Interest on Long-term Debt	510,011	0	485,150	0	(24,861)	0
Total Primary Government	\$ 8,790,544	\$ 1,365,468	\$ 3,036,754	\$ 714,160	\$ (3,674,162)	\$ 0
Component Unit:						
Houston County School Department	\$ 12,961,430	\$ 280,225	\$ 1,726,563	\$ 560,738	\$ 0	\$ (10,393,904)
Total Component Unit	\$ 12,961,430	\$ 280,225	\$ 1,726,563	\$ 560,738	\$ 0	\$ (10,393,904)

(Continued)

Exhibit B

Houston County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component
					Governmental	Unit
					Total	Houston County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$ 3,496,797	\$ 695,161
Property Taxes Levied for Debt Service					2	0
Local Option Sales Taxes					95,506	610,243
Hotel/Motel Tax					18,341	0
Wheel Tax					479,506	0
Litigation Tax					19,371	0
Business Tax					15,257	22,886
Wholesale Beer Tax					14,410	0
Grants and Contributions Not Restricted to Specific Programs					318,924	9,101,050
Unrestricted Investment Income					0	26,954
Miscellaneous					117,294	65,125
Total General Revenues					<u>\$ 4,575,408</u>	<u>\$ 10,521,419</u>
Transfers					<u>\$ (766,445)</u>	<u>\$ 0</u>
Change in Net Position					\$ 134,801	\$ 127,515
Net Position, July 1, 2017					(4,390,194)	11,680,635
Prior-period Adjustment - See Note I.D.8.					0	(172,952)
Restatements - See Note I.D.9.					<u>(1,058)</u>	<u>(337,345)</u>
Net Position, June 30, 2018					<u>\$ (4,256,451)</u>	<u>\$ 11,297,853</u>

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

Exhibit C-1

Houston County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2018

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Funds Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	10,070	\$ 10,070
Equity in Pooled Cash and Investments	405,064	14,951	660,405	92,417	284,076	1,456,913
Accounts Receivable	1,176,963	0	0	0	10	1,176,973
Allowance for Uncollectibles	(687,089)	0	0	0	0	(687,089)
Due from Other Governments	145,185	0	294,352	9,662	0	449,199
Due from Other Funds	0	0	0	75	0	75
Property Taxes Receivable	2,675,553	451,108	14,101	342,320	267,930	3,751,012
Allowance for Uncollectible Property Taxes	(115,641)	(27,660)	(615)	(8,013)	(11,687)	(163,616)
Total Assets	<u>\$ 3,600,035</u>	<u>\$ 438,399</u>	<u>\$ 968,243</u>	<u>\$ 436,461</u>	<u>\$ 550,399</u>	<u>\$ 5,993,537</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 2,331	\$ 0	\$ 14,298	\$ 0	\$ 0	\$ 16,629
Payroll Deductions Payable	0	0	0	0	1	1
Contracts Payable	2,000	0	0	0	0	2,000
Due to Other Funds	0	75	0	0	0	75
Due to State of Tennessee	0	0	0	0	50	50
Total Liabilities	<u>\$ 4,331</u>	<u>\$ 75</u>	<u>\$ 14,298</u>	<u>\$ 0</u>	<u>\$ 51</u>	<u>\$ 18,755</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 2,443,008	\$ 385,738	\$ 12,858	\$ 334,307	\$ 244,301	\$ 3,420,212
Deferred Delinquent Property Taxes	102,503	33,076	551	0	10,472	146,602
Other Deferred/Unavailable Revenue	434,823	0	144,351	5,005	0	584,179
Total Deferred Inflows of Resources	<u>\$ 2,980,334</u>	<u>\$ 418,814</u>	<u>\$ 157,760</u>	<u>\$ 339,312</u>	<u>\$ 254,773</u>	<u>\$ 4,150,993</u>

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>FUND BALANCES</u>						
Restricted:						
Restricted for General Government	\$ 2,791	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,791
Restricted for Finance	4,930	0	0	0	0	4,930
Restricted for Administration of Justice	30,613	0	0	0	0	30,613
Restricted for Public Safety	34,063	0	0	0	198,604	232,667
Restricted for Other Operations	249,113	0	0	0	0	249,113
Restricted for Highways/Public Works	0	0	560,465	0	0	560,465
Restricted for Capital Outlay	0	0	0	0	13,274	13,274
Restricted for Capital Projects	0	0	0	0	54,378	54,378
Committed:						
Committed for General Government	268,823	0	0	0	683	269,506
Committed for Finance	0	0	0	0	9,397	9,397
Committed for Public Health and Welfare	0	19,510	0	0	19,239	38,749
Committed for Highways/Public Works	0	0	235,720	0	0	235,720
Committed for Debt Service	0	0	0	97,149	0	97,149
Unassigned	25,037	0	0	0	0	25,037
Total Fund Balances	\$ 615,370	\$ 19,510	\$ 796,185	\$ 97,149	\$ 295,575	\$ 1,823,789
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,600,035	\$ 438,399	\$ 968,243	\$ 436,461	\$ 550,399	\$ 5,993,537

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, 2018

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)		\$	1,823,789
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	758,147	
Add: construction in progress		119,173	
Add: buildings and improvements net of accumulated depreciation		4,436,167	
Add: infrastructure net of accumulated depreciation		1,649,147	
Add: other capital assets net of accumulated depreciation		<u>1,739,241</u>	8,701,875
(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	\$	(1,229,152)	
Less: other loans payable		(6,785,938)	
Less: bonds payable		(7,187,711)	
Less: capital lease payable		(135,857)	
Add: debt to be contributed by the School Department		135,857	
Add: deferred amount on refunding		371,002	
Less: accrued interest payable		(27,039)	
Less: compensated absences payable		(25,279)	
Less: net OPEB liability		(8,590)	
Less: landfill closure/postclosure care costs		<u>(619,788)</u>	(15,512,495)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be amortized and recognized as components of OPEB expense in future years.			
Less: deferred inflows related to OPEB			(401)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>730,781</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(4,256,451)</u></u>

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

Exhibit C-3

Houston County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds				Nonmajor	Total	
	General	Special Purpose	Highway / Public Works	General Debt Service	Funds Other Governmental Funds		Governmental Funds
<u>Revenues</u>							
Local Taxes	\$ 2,652,398	\$ 792,212	\$ 13,204	\$ 481,817	\$ 253,749	\$ 4,193,380	
Licenses and Permits	1,527	0	0	0	0	1,527	
Fines, Forfeitures, and Penalties	34,525	0	0	0	11,268	45,793	
Charges for Current Services	644,935	0	0	0	72,900	717,835	
Other Local Revenues	115,716	0	150	0	48,820	164,686	
Fees Received From County Officials	307,157	0	0	0	0	307,157	
State of Tennessee	630,581	0	2,323,492	57,193	59,531	3,070,797	
Federal Government	155,276	0	136,634	0	0	291,910	
Other Governments and Citizens Groups	211,601	0	0	514,745	0	726,346	
Total Revenues	\$ 4,753,716	\$ 792,212	\$ 2,473,480	\$ 1,053,755	\$ 446,268	\$ 9,519,431	
<u>Expenditures</u>							
Current:							
General Government	\$ 806,915	\$ 0	\$ 0	\$ 0	\$ 0	\$ 806,915	
Finance	312,103	0	0	0	68,726	380,829	
Administration of Justice	383,292	0	0	0	0	383,292	
Public Safety	1,508,359	0	0	0	65,237	1,573,596	
Public Health and Welfare	815,189	10,031	0	0	305,884	1,131,104	
Social, Cultural, and Recreational Services	187,058	0	0	0	0	187,058	
Agriculture and Natural Resources	50,399	0	0	0	0	50,399	
Other Operations	618,454	15,931	0	0	20,544	654,929	
Highways	0	0	2,236,729	0	0	2,236,729	
Debt Service:							
Principal on Debt	0	0	56,809	1,165,608	0	1,222,417	
Interest on Debt	0	0	7,221	474,568	1,063	482,852	
Other Debt Service	0	0	0	8,244	0	8,244	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Special Purpose	Highway / Public Works	General Debt Service	Funds Other Governmental Funds	
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 125,975	\$ 0	\$ 0	\$ 0	\$ 537,500	\$ 663,475
Total Expenditures	\$ 4,807,744	\$ 25,962	\$ 2,300,759	\$ 1,648,420	\$ 998,954	\$ 9,781,839
<u>Excess (Deficiency) of Revenues Over Expenditures</u>						
	\$ (54,028)	\$ 766,250	\$ 172,721	\$ (594,665)	\$ (552,686)	\$ (262,408)
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 530,738	\$ 530,738
Insurance Recovery	0	0	7,203	0	15,961	23,164
Transfers In	0	0	0	164,167	0	164,167
Transfers Out	(150,000)	(780,612)	0	0	0	(930,612)
Total Other Financing Sources (Uses)	\$ (150,000)	\$ (780,612)	\$ 7,203	\$ 164,167	\$ 546,699	\$ (212,543)
<u>Net Change in Fund Balances</u>						
Fund Balance, July 1, 2017	\$ (204,028)	\$ (14,362)	\$ 179,924	\$ (430,498)	\$ (5,987)	\$ (474,951)
Fund Balance, June 30, 2018	\$ 819,398	\$ 33,872	\$ 616,261	\$ 527,647	\$ 301,562	\$ 2,298,740
Fund Balance, June 30, 2018	\$ 615,370	\$ 19,510	\$ 796,185	\$ 97,149	\$ 295,575	\$ 1,823,789

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, 2018

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)		\$ (474,951)
(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	\$ 555,311	
Less: current-year depreciation expense	<u>(694,072)</u>	(138,761)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized	\$ 161,655	
Less: proceeds received from the disposal of capital assets	(77,137)	
Less: book value of capital assets disposed	<u>(74,987)</u>	9,531
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2018	\$ 730,781	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(605,845)</u>	124,936
(4) The issuance of long-term debt (e.g., notes, bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Less: other loan proceeds	\$ (530,738)	
Less: change in deferred amount on refunding debt	(18,698)	
Add: principal payments on notes	426,489	
Add: principal payments on other loans	631,000	
Add: principal payments on bonds	127,833	
Add: principal payments on capital lease	37,095	
Less: contributions from the School Department for the capital lease	<u>(37,095)</u>	635,886
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable	\$ (8,461)	
Change in compensated absences payable	(2,856)	
Change in net OPEB liability (net of restatement)	(3,663)	
Change in deferred inflows related to OPEB	(401)	
Change in landfill closure/postclosure care costs	<u>(6,459)</u>	(21,840)
Change in net position of governmental activities (Exhibit B)		<u>\$ 134,801</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,652,398	\$ 2,631,419	\$ 2,587,419	\$ 64,979
Licenses and Permits	1,527	0	0	1,527
Fines, Forfeitures, and Penalties	34,525	31,500	31,500	3,025
Charges for Current Services	644,935	608,800	628,800	16,135
Other Local Revenues	115,716	48,000	48,000	67,716
Fees Received From County Officials	307,157	274,500	274,500	32,657
State of Tennessee	630,581	666,164	1,195,917	(565,336)
Federal Government	155,276	25,000	155,370	(94)
Other Governments and Citizens Groups	211,601	185,065	185,065	26,536
Total Revenues	\$ 4,753,716	\$ 4,470,448	\$ 5,106,571	\$ (352,855)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 111,882	\$ 42,391	\$ 54,881	\$ (57,001)
Board of Equalization	1,039	1,748	1,748	709
Budget and Finance Committee	2,157	3,350	3,350	1,193
Other Boards and Committees	12,707	22,323	22,323	9,616
County Mayor/Executive	151,972	152,506	153,655	1,683
County Attorney	25,100	25,625	25,625	525
Election Commission	115,860	137,185	140,335	24,475
Register of Deeds	95,895	100,767	100,767	4,872
Development	182,794	554,000	554,000	371,206
Planning	11,416	11,266	11,558	142
Building	4,840	7,500	7,500	2,660
County Buildings	72,298	82,441	78,636	6,338
Other General Administration	18,955	21,000	23,000	4,045
<u>Finance</u>				
Central Services	16,661	16,498	16,861	200
Property Assessor's Office	95,654	98,007	98,007	2,353
Reappraisal Program	6,613	8,566	8,566	1,953
County Trustee's Office	114,996	118,724	118,724	3,728
County Clerk's Office	68,046	84,393	84,393	16,347
Data Processing	423	2,638	638	215
Other Finance	9,710	0	20,000	10,290
<u>Administration of Justice</u>				
Circuit Court	137,388	139,804	139,804	2,416
General Sessions Judge	61,746	62,533	62,533	787
Chancery Court	120,861	118,241	118,241	(2,620)
Juvenile Court	46,770	51,627	51,627	4,857
District Attorney General	1,293	1,292	1,292	(1)
Judicial Commissioners	14,137	14,239	14,239	102
Other Administration of Justice	1,097	1,097	1,097	0
<u>Public Safety</u>				
Sheriff's Department	468,464	510,762	504,029	35,565
Special Patrols	4,260	4,658	4,657	397
Drug Enforcement	2,970	3,000	3,000	30
Administration of the Sexual Offender Registry	450	2,000	2,000	1,550
Jail	606,137	638,671	650,405	44,268

(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>				
Fire Prevention and Control	\$ 76,740	\$ 83,098	\$ 83,098	\$ 6,358
Rural Fire Protection	5,166	6,908	6,908	1,742
Rescue Squad	135,608	0	129,170	(6,438)
Other Emergency Management	187,759	224,353	224,353	36,594
County Coroner/Medical Examiner	20,805	17,100	20,905	100
<u>Public Health and Welfare</u>				
Local Health Center	36,821	37,297	37,633	812
Ambulance/Emergency Medical Services	734,874	758,252	759,452	24,578
Maternal and Child Health Services	0	0	1,648	1,648
Sanitation Education/Information	43,494	44,200	44,223	729
Waste Pickup	0	0	17,564	17,564
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	44,640	45,640	45,640	1,000
Libraries	115,368	119,801	119,801	4,433
Parks and Fair Boards	1,650	4,500	4,500	2,850
Other Social, Cultural, and Recreational	25,400	25,400	25,400	0
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	40,676	42,063	42,063	1,387
Forest Service	0	1,500	1,500	1,500
Soil Conservation	9,723	9,302	10,770	1,047
<u>Other Operations</u>				
Tourism	59,943	74,686	74,686	14,743
Industrial Development	20,000	0	170,000	150,000
Airport	39,347	58,104	58,104	18,757
Veterans' Services	19,421	21,326	21,326	1,905
Other Charges	51,674	66,569	66,546	14,872
Employee Benefits	250,898	282,000	280,532	29,634
Payments to Cities	6,926	10,000	10,000	3,074
Miscellaneous	170,245	173,711	173,711	3,466
<u>Capital Projects</u>				
General Administration Projects	7,333	12,000	12,000	4,667
Administration of Justice Projects	18,953	0	350,000	331,047
Public Safety Projects	24,797	0	22,189	(2,608)
Social, Cultural, and Recreation Projects	24,999	25,000	25,000	1
Other General Government Projects	49,893	54,132	54,132	4,239
Total Expenditures	\$ 4,807,744	\$ 5,235,794	\$ 5,970,345	\$ 1,162,601
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (54,028)	\$ (765,346)	\$ (863,774)	\$ 809,746
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 150,000	\$ (150,000)
Transfers Out	(150,000)	0	(150,000)	0
Total Other Financing Sources	\$ (150,000)	\$ 0	\$ 0	\$ (150,000)

(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	
Net Change in Fund Balance	\$ (204,028)	\$ (765,346)	\$ (863,774)	\$ 659,746
Fund Balance, July 1, 2017	819,398	705,915	705,915	113,483
Fund Balance, June 30, 2018	\$ 615,370	\$ (59,431)	\$ (157,859)	\$ 773,229

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 792,212	\$ 0	\$ 794,115	\$ (1,903)
Total Revenues	\$ 792,212	\$ 0	\$ 794,115	\$ (1,903)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Other Local Health Services	\$ 10,031	\$ 16,394	\$ 16,394	\$ 6,363
<u>Other Operations</u>				
Other Charges	15,931	0	15,929	(2)
Total Expenditures	\$ 25,962	\$ 16,394	\$ 32,323	\$ 6,361
Excess (Deficiency) of Revenues Over Expenditures	\$ 766,250	\$ (16,394)	\$ 761,792	\$ 4,458
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 700,000	\$ 0	\$ 0
Transfers Out	(780,612)	0	(780,612)	0
Total Other Financing Sources	\$ (780,612)	\$ 700,000	\$ (780,612)	\$ 0
Net Change in Fund Balance	\$ (14,362)	\$ 683,606	\$ (18,820)	\$ 4,458
Fund Balance, July 1, 2017	33,872	75,951	75,951	(42,079)
Fund Balance, June 30, 2018	\$ 19,510	\$ 759,557	\$ 57,131	\$ (37,621)

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 13,204	\$ 14,229	\$ 14,229	\$ (1,025)
Other Local Revenues	150	1,000	1,000	(850)
State of Tennessee	2,323,492	1,526,719	1,806,281	517,211
Federal Government	136,634	30,000	117,340	19,294
Total Revenues	<u>\$ 2,473,480</u>	<u>\$ 1,571,948</u>	<u>\$ 1,938,850</u>	<u>\$ 534,630</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 162,583	\$ 163,291	\$ 167,422	\$ 4,839
Highway and Bridge Maintenance	832,369	736,080	922,860	90,491
Operation and Maintenance of Equipment	278,896	185,623	307,194	28,298
Other Charges	77,319	58,900	79,459	2,140
Employee Benefits	219,101	250,000	251,200	32,099
Capital Outlay	666,461	318,000	671,001	4,540
<u>Principal on Debt</u>				
Highways and Streets	56,809	56,033	56,809	0
<u>Interest on Debt</u>				
Highways and Streets	7,221	8,771	7,994	773
Total Expenditures	<u>\$ 2,300,759</u>	<u>\$ 1,776,698</u>	<u>\$ 2,463,939</u>	<u>\$ 163,180</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 172,721</u>	<u>\$ (204,750)</u>	<u>\$ (525,089)</u>	<u>\$ 697,810</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 7,203	\$ 0	\$ 6,021	\$ 1,182
Total Other Financing Sources	<u>\$ 7,203</u>	<u>\$ 0</u>	<u>\$ 6,021</u>	<u>\$ 1,182</u>
Net Change in Fund Balance	\$ 179,924	\$ (204,750)	\$ (519,068)	\$ 698,992
Fund Balance, July 1, 2017	<u>616,261</u>	<u>309,268</u>	<u>309,268</u>	<u>306,993</u>
Fund Balance, June 30, 2018	<u>\$ 796,185</u>	<u>\$ 104,518</u>	<u>\$ (209,800)</u>	<u>\$ 1,005,985</u>

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

Exhibit D

Houston County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 419,829
Accounts Receivable	2
Due from Other Governments	<u>94,369</u>
Total Assets	<u>\$ 514,200</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 94,369
Due to Litigants, Heirs, and Others	<u>419,831</u>
Total Liabilities	<u>\$ 514,200</u>

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

HOUSTON COUNTY, TENNESSEE
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HOUSTON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Houston County's financial statements are presented in accordance with generally accepted accounting principles (GAAP), except for the business-type activities and Houston County Community Hospital major fund, which have been omitted because the financial statements of the Houston County Community Hospital, a major enterprise fund, and the entire business-type activities, had not been made available by other auditors as of the date of this report. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

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

A. Reporting Entity

Houston County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Houston County (the primary government) and its component units. The financial statements of the Houston County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of the omission did not affect the independent auditor's opinion thereon. 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 material to the component units' opinion unit and therefore have been omitted from this report.

The Houston County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. 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. Net debt issues totaling \$530,738 were contributed by the county to the School Department during the year ended June 30, 2018.

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 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 are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Houston County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Houston County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Houston County reports the following major proprietary fund:

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

Additionally, Houston County reports the following fund types:

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

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

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

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

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer’s Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county’s own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds (excluding the Houston County Community Hospital, enterprise fund) and the discretely presented Houston County School Department. Each fund’s portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash

and Investments. Most income from these pooled investments is assigned to the discretely presented School Department's General Purpose School Fund. Houston County (excluding the Houston County Community Hospital, enterprise fund) and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a stable net asset value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.34 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 column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	
	Primary Government	Houston County School Department
Buildings and Improvements	25 - 40 or life of note	10 - 40
Other Capital Assets	5 - 12	5 - 20
Infrastructure:		
Roads	8 - 20	
Bridges	30	

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. 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 the deferred charge on refunding, pension changes in experience and investment earnings, pension changes in proportion of net pension liability (asset), and employer contributions made to the pension and OPEB plans 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 experience and investment earnings, pension changes in proportion of net pension liability (asset), OPEB changes in assumptions, 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, 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, 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 \$1,660,370 of restricted net position, in governmental activities for the primary government, of which \$254,118 is restricted by enabling legislation.

As of June 30, 2018, Houston County had \$5,872,522 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. Prior-period Adjustment

The beginning balance of the discretely presented Houston County School Department’s net position of governmental activities was restated by a decrease of \$172,952. This adjustment was necessary because a four-year lease-purchase agreement for two school buses had been omitted in the prior year. The capital lease requirements are being paid by contributions of the School Department.

9. Restatements

In prior years, the government was required to recognize a liability for its other postemployment benefits plans under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, Houston County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements reducing the beginning net position of the Governmental Activities of the primary government and the discretely presented Houston County School Department by \$1,058 and \$337,345, respectively, have been recognized to account for the transitional requirements.

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.

F. Other Postemployment Benefit (OPEB) Plans

Primary Government

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by Houston County. For this purpose, Houston County recognizes benefit payments when due and payable in accordance with benefit terms. Houston County's OPEB plan is not administered through a trust.

Discretely Presented Houston County School Department

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented Houston County School Department. For this purpose, the School Department recognizes benefit payments when due and payable in accordance with benefit terms. The School Department's OPEB plan is not administered through a trust.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

Discretely Presented Houston County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the changes in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Houston County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, 2018, the Houston County School Department had outstanding encumbrances in the General Purpose School Fund totaling \$80,333.

B. Appropriations Exceeded Estimated Available Funding

The budget and subsequent amendments approved by the county commission for the General and Highway/Public Works funds resulted in appropriations exceeding estimated available funding by \$157,859 and \$209,800, respectively.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the county commission in the following major appropriations categories (the legal level of control) of the General Fund:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General Government - County Commission	\$ 57,001
Administration of Justice - Chancery Court	2,620
Public Safety - Rescue Squad	6,438
Capital Projects - Public Safety Projects	2,608

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

D. The County Mayor and Director of Schools Failed to Comply with State Statutes when Issuing Debt

The county mayor and director of schools failed to comply with state statutes when entering into an energy efficient loan and lease-purchase agreement for buses. Details are discussed in the Schedule of Findings and Questioned Costs section of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Houston County and the Houston County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2018.

B. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Primary Government

Governmental Activities:

	Balance		Balance	
	7-1-17	Increases	Decreases	6-30-18
Capital Assets Not Depreciated:				
Land	\$ 758,147	\$ 0	\$ 0	\$ 758,147
Construction in Progress	46,364	109,370	(36,561)	119,173
Total Capital Assets Not Depreciated	<u>\$ 804,511</u>	<u>\$ 109,370</u>	<u>\$ (36,561)</u>	<u>\$ 877,320</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 6,161,091	\$ 43,470	\$ 0	\$ 6,204,561
Infrastructure	2,268,680	131,860	0	2,400,540
Other Capital Assets	6,701,576	468,827	(299,459)	6,870,944
Total Capital Assets Depreciated	<u>\$ 15,131,347</u>	<u>\$ 644,157</u>	<u>\$ (299,459)</u>	<u>\$ 15,476,045</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,606,476	\$ 161,918	\$ 0	\$ 1,768,394
Infrastructure	642,706	108,687	0	751,393
Other Capital Assets	4,855,571	423,467	(147,335)	5,131,703
Total Accumulated Depreciation	<u>\$ 7,104,753</u>	<u>\$ 694,072</u>	<u>\$ (147,335)</u>	<u>\$ 7,651,490</u>
Total Capital Assets Depreciated, Net	<u>\$ 8,026,594</u>	<u>\$ (49,915)</u>	<u>\$ (152,124)</u>	<u>\$ 7,824,555</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,831,105</u>	<u>\$ 59,455</u>	<u>\$ (188,685)</u>	<u>\$ 8,701,875</u>

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

Governmental Activities:

General Government	\$	89,197
Finance		2,163
Administration of Justice		6,159
Public Safety		350,505
Public Health and Welfare		62,011
Social, Cultural, and Recreational Services		14,060
Agriculture and Natural Resources		1,339
Highway/Public Works		<u>168,638</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>694,072</u></u>

Discretely Presented Houston County School Department

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 483,220	\$ 0	\$ 0	\$ 483,220
Total Capital Assets Not Depreciated	<u>\$ 483,220</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 483,220</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 14,707,075	\$ 0	\$ 0	\$ 14,707,075
Other Capital Assets	3,265,428	172,952	(26,722)	3,411,658
Total Capital Assets Depreciated	<u>\$ 17,972,503</u>	<u>\$ 172,952</u>	<u>\$ (26,722)</u>	<u>\$ 18,118,733</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 8,094,722	\$ 358,522	\$ 0	\$ 8,453,244
Other Capital Assets	2,172,701	139,966	(26,722)	2,285,945
Total Accumulated Depreciation	<u>\$ 10,267,423</u>	<u>\$ 498,488</u>	<u>\$ (26,722)</u>	<u>\$ 10,739,189</u>
Total Capital Assets Depreciated, Net	<u>\$ 7,705,080</u>	<u>\$ (325,536)</u>	<u>\$ 0</u>	<u>\$ 7,379,544</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,188,300</u>	<u>\$ (325,536)</u>	<u>\$ 0</u>	<u>\$ 7,862,764</u>

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

Governmental Activities:

Instruction	\$ 175,732
Support Services	293,200
Operation of Non-instructional Services	<u>29,556</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 498,488</u>

C. Construction Commitments

At June 30, 2018, the School Department's General Purpose School Fund had uncompleted construction contracts of \$80,333 for school improvements. Funding has been received for these future expenditures.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, 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.

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: Governmental Activities	Component Unit: School Department: Governmental Activities	\$ 135,857

The Due to the Primary Government from the School Department is the balance of the capital lease payable issued by the county for the School Department. The School Department has agreed to contribute the funds necessary to retire the debt.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following amounts:

Transfers Out	Transfers In		Purpose
	General Debt Service Fund	Hospital Fund	
General Fund	\$ 150,000	\$ 0	Debt retirement
Special Purpose Fund	0	780,612	Operations
Hospital Fund	14,167	0	Debt retirement

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.

E. Capital Lease

On May 18, 2017, Houston County entered into a four-year lease-purchase agreement for school buses. The terms of the agreement require total lease payments of \$172,952 plus interest of 4.33 percent. Title to the buses transfers to the Houston County School Department at the end of the lease period. The lease payments are being made from contributions from the General Purpose School Fund to the General Debt Service Fund. This lease-purchase agreement was not entered into in compliance with state statutes.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
School Buses	\$ 172,952
Less: Accumulated Depreciation	<u>(7,609)</u>
Total Book Value	<u>\$ 165,343</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year Ending June 30	Governmental Funds
2019	\$ 37,719
2020	37,719
2021	37,719
2022	<u>37,719</u>
Total Minimum Lease Payments	\$ 150,876
Less: Amount Representing Interest	<u>(15,019)</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 135,857</u></u>

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. In addition, general obligation bonds have been issued to refund other loans. 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 37 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, 2018, will be retired from the General Debt Service and Highway/Public Works funds.

General obligation bonds, capital outlay notes, other loans, and capital lease outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate		Final Maturity	Original Amount of Issue	Balance 6-30-18
General Obligation Bonds -					
Refunding	3.125	%	9-14-52	\$ 7,500,000	\$ 7,187,711
Capital Outlay Notes	2.44 to 4.19		5-26-28	2,672,140	1,229,152
Other Loans	variable to .75		5-25-27	13,976,938	6,785,938
Capital Lease	4.33		7-31-21	172,952	135,857

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, 2018, Houston County had drawn \$642,200 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, 2018, the variable interest rates were 1.41 percent on the loans. Other fees totaled 1.20 percent (letter of credit fee), .08 percent (remarketing fee), and .15 percent (trustee fee) of the outstanding loan principal.

During the 2017-18 year, Houston County entered into an agreement with the Tennessee Energy Efficient Schools Council to receive funding from the Energy Efficient Schools Initiative program. Under this agreement, the program made \$642,459 available for loan to Houston County to fund a project to increase energy efficiency in the Houston County school system. As of June 30, 2018, Houston County has drawn \$530,738 of the available \$642,459 loan. The loan has an interest rate of .75 percent.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2018, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 120,300	\$ 222,600	\$ 342,900
2020	124,100	218,800	342,900
2021	128,050	214,850	342,900
2022	132,150	210,750	342,900
2023	136,300	206,600	342,900
2024-2028	749,200	965,300	1,714,500
2029-2033	875,600	838,900	1,714,500
2034-2038	1,023,500	691,000	1,714,500
2039-2043	1,195,950	518,550	1,714,500
2044-2048	1,398,400	316,100	1,714,500
2049-2053	1,304,161	84,700	1,388,861
Total	\$ 7,187,711	\$ 4,488,150	\$ 11,675,861

Year Ending June 30	Notes		
	Principal	Interest	Total
2019	\$ 333,234	\$ 39,121	\$ 372,355
2020	278,957	29,256	308,213
2021	160,554	20,605	181,159
2022	150,435	15,305	165,740
2023	131,792	10,320	142,112
2024-2028	174,180	12,730	186,910
Total	\$ 1,229,152	\$ 127,337	\$ 1,356,489

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2019	\$ 662,000	\$ 90,487	\$ 85,202	\$ 837,689
2020	1,175,938	95,694	76,265	1,347,897
2021	668,000	71,598	67,466	807,064
2022	701,000	61,934	58,448	821,382
2023	737,000	51,792	48,984	837,776
2024-2027	2,842,000	100,977	96,326	3,039,303
Total	\$ 6,785,938	\$ 472,482	\$ 432,691	\$ 7,691,111

There is \$97,149 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$853, based on the 2010 federal census. Total debt per capita, including bonds, notes, other loans, and the capital lease totaled \$1,820, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as

Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-18</u>
<u>Capital Lease</u>	
<u>Contributions from the General Purpose School Fund</u>	
School Buses	\$ 135,857

Changes in Long-term Obligations

Long-term obligations activity for the primary government for the year ended June 30, 2018, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>	<u>Other Loans</u>
Balance, July 1, 2017	\$ 7,315,544	\$ 1,655,641	\$ 6,886,200
Additions	0	0	530,738
Reductions	<u>(127,833)</u>	<u>(426,489)</u>	<u>(631,000)</u>
Balance, June 30, 2018	<u>\$ 7,187,711</u>	<u>\$ 1,229,152</u>	<u>\$ 6,785,938</u>
Balance Due Within One Year	<u>\$ 120,300</u>	<u>\$ 333,234</u>	<u>\$ 662,000</u>

	<u>Capital Lease*</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability**</u>
Balance, July 1, 2017	\$ 172,952	\$ 22,423	\$ 4,927
Additions	0	28,937	4,105
Reductions	<u>(37,095)</u>	<u>(26,081)</u>	<u>(442)</u>
Balance, June 30, 2018	<u>\$ 135,857</u>	<u>\$ 25,279</u>	<u>\$ 8,590</u>
Balance Due Within One Year	<u>\$ 31,836</u>	<u>\$ 25,279</u>	<u>\$ 0</u>

	<u>Landfill Postclosure Care Costs</u>
Balance, July 1, 2017	\$ 613,329
Additions	10,959
Reductions	<u>(4,500)</u>
Balance, June 30, 2018	<u>\$ 619,788</u>
Balance Due Within One Year	<u>\$ 123,958</u>

*Restated Balance - See Note I.D.8.

**Restated Balance - See Note I.D.9.

Compensated absences and the OPEB liability 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, 2018	\$ 15,992,315
Less: Balance Due Within One Year	<u>(1,296,607)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 14,695,708</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, 2018, was as follows:

Governmental Activities:

	<u>Net OPEB Liability*</u>
Balance, July 1, 2017	\$ 722,536
Additions	63,271
Reductions	<u>(84,893)</u>
Balance, June 30, 2018	<u>\$ 700,914</u>
Balance Due Within One Year	<u>\$ 0</u>

*Restated Balance - See Note I.D.9.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 700,914
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 700,914</u>

Other postemployment benefits liability will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

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 \$5,798,759 with annual requirements ranging from approximately \$598,625 in the next fiscal year to \$695,349 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 \$581,567 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. The plan is 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 for the year ended June 30, 2018, were \$33,961. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Houston County issued tax anticipation notes in advance of property tax collections and other revenues and deposited the proceeds in the Special Purpose Fund and the Solid Waste/ Sanitation Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax and other revenue collections. Short-term debt activity for the year ended June 30, 2018, was as follows:

	Balance			Balance
	7-1-17	Issued	Paid	6-30-18
Tax Anticipation Notes	\$ 0	\$ 550,000	(550,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

Employee Health Insurance

Employees of Houston County (except for 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.

The Houston County Highway Department provided health insurance coverage for its employees through the purchase of commercial insurance until June 30, 2015. Effective July 1, 2015, the Houston County Highway Department began participating in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *Tennessee Code Annotated (TCA)*, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF 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. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Workers' Compensation Insurance

Houston County participates in the Local Government Workers' Compensation Fund (LWCF), 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 LWCF for its workers' compensation insurance coverage. The LWCF is to be self-sustaining through member premiums. The LWCF 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a

beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

C. Contingent Liabilities

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

D. Landfill Postclosure Care Costs

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

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Houston County closed its sanitary landfill in 1993. The \$619,788 reported as postclosure care liability at June 30, 2018, represents amounts based on what it would cost to perform all postclosure care in 2018. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

E. 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, 2018.

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 Title 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

F. Jointly Governed Organizations

The Houston-Stewart County Industrial Park Board operates an industrial park that is jointly owned by Stewart and Houston counties. The board comprises seven members. The Stewart and Houston County Commissions

appoint the board members alternately (four one year and three the next year); however, the counties do not have any ongoing financial interest or responsibility for the entity. Also, the board operates in conjunction with the Houston-Stewart County Development Commission, which consists of seven board members appointed by Stewart and Houston counties. The commission was incorporated to receive and administer grant and loan funds for construction of buildings in the industrial park. The commission was declared inactive by its Board of Directors on October 25, 1990, and so remains until such time as a need develops.

The Industrial Development Board of Houston-Stewart Counties has been delegated the authority to develop, operate and maintain an industrial site located near the Stewart-Houston County line near Cumberland City, Tennessee. The board operates in conjunction with the Houston-Stewart Industrial Park Board and is comprised of eight members. The Stewart and Houston County Commissions appoint the board members; however, the counties do not have any ongoing financial interest or responsibility for the entity.

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

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

Discretely Presented Houston County School Department

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 with an unreduced benefit 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. 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 60 or pursuant to the rule of 80. 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 percent and one percent. Members who leave 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 or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. 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, 2018, to the Teacher

Retirement Plan were \$25,465, which is four percent of covered 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 (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$17,642) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department’s proportion of the net pension liability (asset) was based on the School Department’s share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department’s proportion was .066876 percent. The proportion as of June 30, 2016, was .051137 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$7,896.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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
Difference Between Expected and Actual Experience	\$ 618	\$ 1,327
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	949
Changes in Assumptions	1,550	0
Changes in Proportion of Net Pension Liability (Asset)	384	1,743
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	25,465	N/A
Total	<u>\$ 28,017</u>	<u>\$ 4,019</u>

The School Department's employer contributions of \$25,465, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2019. 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
2019	\$ (192)
2020	(192)
2021	(246)
2022	(490)
2023	(42)
Thereafter	(305)

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of

return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major 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	5.69	%	31	%
International Equity Emerging Market	5.29		14	
International Equity Private Equity and Strategic Lending	6.36		4	
U.S. Fixed Income	5.79		20	
Real Estate	2.01		20	
Short-term Securities	4.32		10	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 the School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 3,520	\$ (17,642)	\$ (33,169)

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

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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs 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 are required to contribute five percent of their salaries. 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, 2018, to the Teacher Legacy Pension Plan were \$454,453, which is 9.08 percent of covered 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 Liability (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$45,728) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department’s proportion of the net pension liability (asset) was based on the School Department’s long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department’s proportion was .139763 percent. The proportion measured at June 30, 2016, was .139645 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$11,485.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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
	<u> </u>	<u> </u>
Difference Between Expected and Actual Experience	\$ 27,568	\$ 944,073
Changes in Assumptions	387,292	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,941	0
Changes in Proportion of Net Pension Liability (Asset)	39,153	10,364
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	<u>454,453</u>	N/A
Total	<u>\$ 915,407</u>	<u>\$ 954,437</u>

The School Department’s employer contributions of \$454,453 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2019. 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
2019	\$ (316,253)
2020	151,555
2021	(106,892)
2022	(221,893)
2023	0
Thereafter	0

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from three percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of four percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 the School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%

Net Pension Liability	\$	4,103,126	\$	(45,728)	\$	(3,475,030)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

2. Deferred Compensation

Effective December 1, 2017, Houston County offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The Section 401(k) and Section 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution, and withdrawal provisions for the plans.

Teachers hired after July 1, 2014, by the School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion, which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year, the School Department contributed \$27,272 and teachers contributed \$3,536 to this deferred compensation pension plan.

H. Other Postemployment Benefits (OPEB)

The Houston County Highway Department and the discretely presented Houston County School Department provide OPEB benefits to its retirees under the state administered public entity risk pools. For reporting purposes, the plans are considered a single employer defined benefit OPEB plan based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plans are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

OPEB Provided through State Administered Public Entity Risk Pools

Retirees of the Houston County Highway Department are provided healthcare under a Local Government Plans (LGP) until they reach Medicare eligibility. Likewise, the School Department provides healthcare benefits to its employees under the Local Education Plan (LEP) until they reach Medicare eligibility. The certified retirees of the Houston County School Department may then join the Tennessee Plan – Medicare (TNM), which provides supplemental medical insurance for retirees with Medicare. However, the School Department does not provide any subsidy (direct or indirect) to this plan and therefore does not recognize any OPEB liability associated with the TNM.

The Highway Department and School Department’s total OPEB liability for each plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2017, TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	LGP and LEP - Based on the Getzen Model, with trend starting at 7.5% for the 2018 calendar year, and gradually decreasing over a 33-year period to an ultimate trend rate of 3.53% with .18% added to approximate the effect of the excise tax
Retirees Share of Benefit Related Cost	Discussed under each plan

The discount rate was 3.56 percent, based on the daily rate of Fidelity's 20-Year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System (TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the TCRS. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a -3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Changes in Assumptions. The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

Closed Local Government OPEB Plan (Primary Government)

Plan Description. Employees of the Houston County Highway Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government Plan (LGP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The Houston County Highway Department offers the LGP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGP. All members have the option of choosing between the premier

preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Houston County Highway Department does not provide a direct subsidy and is only subject to the implicit subsidy.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	21
Total	<u>21</u>

An insurance committee, created in accordance with *TCA 8-27-701*, establishes the required payments to the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the county made no payments to the LGP for OPEB benefits.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance July 1, 2016	\$ 4,927
Changes for the Year:	
Service Cost	\$ 3,849
Interest	256
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	0
Changes in Assumption and Other Inputs	(442)
Benefit Payments	0
Net Changes	<u>\$ 3,663</u>
Balance June 30, 2017	<u>\$ 8,590</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the Highway Department recognized OPEB expense of \$4,064. At June 30, 2018, the Highway Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	401
Net Difference Between Projected and Benefits Paid After the Measurement Date	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 401</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>Total Amount</u>
2019	\$ (41)
2020	(41)
2021	(41)
2022	(41)
2023	(41)
Thereafter	(196)

In the table shown above positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the Highway Department calculated using the current discount rate as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>Discount Rate</u>	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	\$ 9,234	\$ 8,590	\$ 7,991

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Highway Department calculated using the current healthcare cost trend rate, as well as what the OPEB liability would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

<u>Healthcare Cost Trend Rate</u>	1% Decrease 6 to 3.77%	Current Rates 7 to 4.77%	1% Increase 8 to 5.77%
Total OPEB Liability	\$ 7,546	\$ 8,590	\$ 9,879

**Closed Local Education (LEP) OPEB Plan - Discretely Presented
Houston County School Department**

Plan Description. Employees of the Houston County School Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health

insurance benefits through the closed Local Education Plan (LEP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired teachers, support staff, and disability participants of local education agencies, who choose coverage, participate in the LEP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The Houston County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. The Houston County School Department does not provide a direct subsidy and is only subject to the implicit subsidy. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retirees' premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	9
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	186
Total	<u><u>195</u></u>

A state insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using

actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid \$56,329 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	Houston County School Department 64.024%	State of TN 35.976%	Total OPEB Liability
Balance July 1, 2016	\$ 722,536	\$ 405,996	\$ 1,128,532
Changes for the Year:			
Service Cost	\$ 41,750	\$ 23,459	\$ 65,209
Interest	21,521	12,093	33,614
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(30,394)	(17,078)	(47,472)
Benefit Payments	(54,499)	(30,624)	(85,123)
Net Changes	<u>\$ (21,622)</u>	<u>\$ (12,150)</u>	<u>\$ (33,772)</u>
Balance June 30, 2017	<u>\$ 700,914</u>	<u>\$ 393,846</u>	<u>\$ 1,094,760</u>

The Houston County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Houston County School Department's proportionate share of the collective total OPEB liability was based on a projection of the employers' long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized \$33,985 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Houston County School Department's proportionate share of the collective OPEB liability was 64.024% and the State of Tennessee's share was 35.976%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of \$94,468, including the state's share of the

expense. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	27,605
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employee and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	<u>56,329</u>	<u>0</u>
Total	<u>\$ 56,329</u>	<u>\$ 27,605</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	School Department
2019	\$ (2,788)
2020	(2,788)
2021	(2,788)
2022	(2,788)
2023	(2,788)
Thereafter	(13,666)

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

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

<u>Discount Rate</u>	1% Decrease	Current Discount Rate	1% Increase
	2.56%	3.56%	4.56%

Proportionate Share of the Collective Total OPEB Liability	\$ 748,851	\$ 700,914	\$ 654,859
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Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

<u>Healthcare Cost Trend Rate</u>	1% Decrease	Current Rates	1% Increase
	6.5 to 2.71%	7.5 to 3.71%	8.5 to 4.71%

Proportionate Share of the Collective Total OPEB Liability	\$ 626,029	\$ 700,914	\$ 789,352
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I. Purchasing Laws

Office of County Mayor

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

Office of Road Superintendent

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

Office of Director of Schools

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

J. Subsequent Events

On July 9, 2018, the county borrowed a \$500,000 tax anticipation note for the Special Purpose Fund for temporary operating funds.

On July 25, 2018, the county issued capital outlay notes totaling \$150,000 to purchase a new ambulance.

On July 25, 2018, the county issued capital outlay notes totaling \$71,000 to purchase a chiller unit for the courthouse.

On August 2, 2018, the county borrowed a \$350,000 tax anticipation note for the General (\$300,000) and Solid Waste/Sanitation (\$50,000) funds for temporary operating funds.

On August 31, 2018, George Clark left the Office of County Mayor and was succeeded by James Bridges on September 1, 2018.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-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

	2015	2016	2017	2018
Contractually Required Contribution	\$ 5,607	\$ 9,000	\$ 17,557	\$ 25,463
Less Contributions in Relation to the Contractually Required Contribution	(5,607)	(9,000)	(17,557)	(25,463)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 140,180	\$ 225,001	\$ 438,929	\$ 636,570
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	4.00%	4.00%

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

Exhibit E-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

	2014	2015	2016	2017	2018
Contractually Required Contribution	\$ 476,460	\$ 457,150	\$ 455,698	\$ 446,627	\$ 454,453
Less Contributions in Relation to the Contractually Required Contribution	(476,460)	(457,150)	(455,698)	(446,627)	(454,453)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 5,365,543	\$ 5,056,968	\$ 5,040,908	\$ 4,940,567	\$ 5,004,984
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.04%	9.08%

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

Exhibit E-3

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

	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.067467%	0.051137%	0.066876%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (2,714)	\$ (5,323)	\$ (17,642)
Covered Payroll	\$ 140,180	\$ 225,001	\$ 438,929
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%	(4.02)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	126.81%

* 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 E-4

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 *

	2015	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.136702%	0.135087%	0.139645%	0.139763%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (22,213)	\$ 55,336	\$ 872,705	\$ (45,728)
Covered Payroll	\$ 5,365,543	\$ 5,056,968	\$ 5,040,908	\$ 4,940,567
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(.414002)%	1.094255%	17.31%	(0.93)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%

* 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 E-5

Houston County, Tennessee
Schedule of Changes in the Total OPEB Liability and Related Ratios - Local Government Plan
For the Fiscal Year Ended June 30

Houston County Highway Department Plan

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 3,849
Interest	256
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(442)
Benefit Payments	<u>0</u>
Net Change in Total OPEB Liability	\$ 3,663
Total OPEB Liability, Beginning	<u>4,927</u>
Total OPEB Liability, Ending	<u><u>\$ 8,590</u></u>
Covered Employee Payroll	\$ 678,739
Net OPEB Liability as a Percentage of Covered Employee Payroll	1.27%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Exhibit E-6

Houston County, Tennessee
Schedule of Changes in the Total OPEB Liability and Related Ratios - Local Education Plan
Discretely Presented Houston County School Department
For the Fiscal Year Ended June 30

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 65,209
Interest	33,614
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(47,472)
Benefit Payments	<u>(85,123)</u>
Net Change in Total OPEB Liability	\$ (33,772)
Total OPEB Liability, Beginning	<u>1,128,532</u>
Total OPEB Liability, Ending	<u>\$ 1,094,760</u>
Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	\$ 393,846
Employer Proportionate Share of the Total OPEB Liability	700,914
Covered Employee Payroll	\$ 5,641,554
Net OPEB Liability as a Percentage of Covered Employee Payroll	12.42%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	2.92%
2018	3.56%

Note 3: No assets are accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

HOUSTON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2016, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3.0%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustments	2.50%

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Funds

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by Houston County that is subsequently contributed to the discretely Houston County School Department for construction and renovation projects.

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

Exhibit F-1

Houston County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 10,070	\$ 10,070	\$ 0
Equity in Pooled Cash and Investments	17,820	198,604	0	216,424	54,378
Accounts Receivable	0	0	10	10	0
Property Taxes Receivable	267,930	0	0	267,930	0
Allowance for Uncollectible Property Taxes	(11,687)	0	0	(11,687)	0
Total Assets	<u>\$ 274,063</u>	<u>\$ 198,604</u>	<u>\$ 10,080</u>	<u>\$ 482,747</u>	<u>\$ 54,378</u>
<u>LIABILITIES</u>					
Payroll Deductions Payable	\$ 1	\$ 0	\$ 0	\$ 1	\$ 0
Due to State of Tennessee	50	0	0	50	0
Total Liabilities	<u>\$ 51</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 51</u>	<u>\$ 0</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 244,301	\$ 0	\$ 0	\$ 244,301	\$ 0
Deferred Delinquent Property Taxes	10,472	0	0	10,472	0
Total Deferred Inflows of Resources	<u>\$ 254,773</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 254,773</u>	<u>\$ 0</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 0	\$ 198,604	\$ 0	\$ 198,604	\$ 0

(Continued)

Exhibit F-1

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

	Special Revenue Funds				Capital Projects Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects
<u>FUND BALANCES (Cont.)</u>					
Restricted (Cont.):					
Restricted for Capital Outlay	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for Capital Projects	0	0	0	0	54,378
Committed:					
Committed for General Government	0	0	683	683	0
Committed for Finance	0	0	9,397	9,397	0
Committed for Public Health and Welfare	19,239	0	0	19,239	0
Total Fund Balances	<u>\$ 19,239</u>	<u>\$ 198,604</u>	<u>\$ 10,080</u>	<u>\$ 227,923</u>	<u>\$ 54,378</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 274,063</u>	<u>\$ 198,604</u>	<u>\$ 10,080</u>	<u>\$ 482,747</u>	<u>\$ 54,378</u>

(Continued)

Exhibit F-1

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

	<u>Capital Projects Funds (Cont.)</u>			Total
	Other			Nonmajor
	Capital	Total		Governmental
	Projects			Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$	10,070
Equity in Pooled Cash and Investments	13,274	67,652		284,076
Accounts Receivable	0	0		10
Property Taxes Receivable	0	0		267,930
Allowance for Uncollectible Property Taxes	0	0		(11,687)
Total Assets	<u>\$ 13,274</u>	<u>\$ 67,652</u>	<u>\$</u>	<u>550,399</u>
<u>LIABILITIES</u>				
Payroll Deductions Payable	\$ 0	\$ 0	\$	1
Due to State of Tennessee	0	0		50
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$</u>	<u>51</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 0	\$ 0	\$	244,301
Deferred Delinquent Property Taxes	0	0		10,472
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$</u>	<u>254,773</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Public Safety	\$ 0	\$ 0	\$	198,604

(Continued)

Exhibit F-1

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

FUND BALANCES (Cont.)

Restricted (Cont.):

 Restricted for Capital Outlay
 Restricted for Capital Projects

Committed:

 Committed for General Government
 Committed for Finance
 Committed for Public Health and Welfare

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

<u>Capital Projects Funds (Cont.)</u>			Total Nonmajor Governmental Funds
Other Capital Projects	Total		
\$ 13,274	\$ 13,274	\$	13,274
0	54,378		54,378
0	0		683
0	0		9,397
0	0		19,239
<u>\$ 13,274</u>	<u>\$ 67,652</u>	<u>\$</u>	<u>295,575</u>
<u>\$ 13,274</u>	<u>\$ 67,652</u>	<u>\$</u>	<u>550,399</u>

Exhibit F-2

Houston County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds				Capital Projects Funds	
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Education Capital Projects
<u>Revenues</u>						
Local Taxes	\$ 253,749	\$ 0	\$ 0	\$ 253,749	\$ 0	\$ 0
Fines, Forfeitures, and Penalties	0	11,268	0	11,268	0	0
Charges for Current Services	2,584	0	70,316	72,900	0	0
Other Local Revenues	9,410	39,410	0	48,820	0	0
State of Tennessee	59,531	0	0	59,531	0	0
Total Revenues	<u>\$ 325,274</u>	<u>\$ 50,678</u>	<u>\$ 70,316</u>	<u>\$ 446,268</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 68,726	\$ 68,726	\$ 0	\$ 0
Public Safety	0	65,237	0	65,237	0	0
Public Health and Welfare	305,884	0	0	305,884	0	0
Other Operations	20,544	0	0	20,544	0	0
Debt Service:						
Interest on Debt	1,063	0	0	1,063	0	0
Capital Projects	0	0	0	0	0	530,738
Total Expenditures	<u>\$ 327,491</u>	<u>\$ 65,237</u>	<u>\$ 68,726</u>	<u>\$ 461,454</u>	<u>\$ 0</u>	<u>\$ 530,738</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,217)</u>	<u>\$ (14,559)</u>	<u>\$ 1,590</u>	<u>\$ (15,186)</u>	<u>\$ 0</u>	<u>\$ (530,738)</u>
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 530,738
Insurance Recovery	7,400	8,561	0	15,961	0	0
Total Other Financing Sources (Uses)	<u>\$ 7,400</u>	<u>\$ 8,561</u>	<u>\$ 0</u>	<u>\$ 15,961</u>	<u>\$ 0</u>	<u>\$ 530,738</u>

(Continued)

Exhibit F-2

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

	Special Revenue Funds				Capital Projects Funds	
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Education Capital Projects
Net Change in Fund Balances	\$ 5,183	\$ (5,998)	\$ 1,590	\$ 775	\$ 0	\$ 0
Fund Balance, July 1, 2017	14,056	204,602	8,490	227,148	54,378	0
Fund Balance, June 30, 2018	\$ 19,239	\$ 198,604	\$ 10,080	\$ 227,923	\$ 54,378	\$ 0

(Continued)

Exhibit F-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 Nonmajor Governmental Funds
	Other Capital Projects	Total	
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 0	\$ 253,749
Fines, Forfeitures, and Penalties	0	0	11,268
Charges for Current Services	0	0	72,900
Other Local Revenues	0	0	48,820
State of Tennessee	0	0	59,531
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 446,268</u>
<u>Expenditures</u>			
Current:			
Finance	\$ 0	\$ 0	\$ 68,726
Public Safety	0	0	65,237
Public Health and Welfare	0	0	305,884
Other Operations	0	0	20,544
Debt Service:			
Interest on Debt	0	0	1,063
Capital Projects	6,762	537,500	537,500
Total Expenditures	<u>\$ 6,762</u>	<u>\$ 537,500</u>	<u>\$ 998,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,762)</u>	<u>\$ (537,500)</u>	<u>\$ (552,686)</u>
<u>Other Financing Sources (Uses)</u>			
Other Loans Issued	\$ 0	\$ 530,738	\$ 530,738
Insurance Recovery	0	0	15,961
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 530,738</u>	<u>\$ 546,699</u>

(Continued)

Exhibit F-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 Nonmajor Governmental Funds
	Other Capital Projects	Total	
Net Change in Fund Balances	\$ (6,762)	\$ (6,762)	\$ (5,987)
Fund Balance, July 1, 2017	20,036	74,414	301,562
Fund Balance, June 30, 2018	\$ 13,274	\$ 67,652	\$ 295,575

Exhibit F-3

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 253,749	\$ 249,202	\$ 245,202	\$ 8,547
Charges for Current Services	2,584	2,000	2,000	584
Other Local Revenues	9,410	6,000	9,500	(90)
State of Tennessee	59,531	86,000	86,000	(26,469)
Total Revenues	<u>\$ 325,274</u>	<u>\$ 343,202</u>	<u>\$ 342,702</u>	<u>\$ (17,428)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Convenience Centers	\$ 305,884	\$ 312,062	\$ 322,962	\$ 17,078
<u>Other Operations</u>				
Other Charges	5,668	6,000	6,000	332
Employee Benefits	14,876	15,000	15,000	124
<u>Interest on Debt</u>				
General Government	1,063	0	1,200	137
Total Expenditures	<u>\$ 327,491</u>	<u>\$ 333,062</u>	<u>\$ 345,162</u>	<u>\$ 17,671</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,217)</u>	<u>\$ 10,140</u>	<u>\$ (2,460)</u>	<u>\$ 243</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 7,400	0	\$ 7,400	0
Transfers In	0	50,000	0	0
Total Other Financing Sources	<u>\$ 7,400</u>	<u>\$ 50,000</u>	<u>\$ 7,400</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 5,183	\$ 60,140	\$ 4,940	\$ 243
Fund Balance, July 1, 2017	<u>14,056</u>	<u>12,232</u>	<u>12,232</u>	<u>1,824</u>
Fund Balance, June 30, 2018	<u>\$ 19,239</u>	<u>\$ 72,372</u>	<u>\$ 17,172</u>	<u>\$ 2,067</u>

Exhibit F-4

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 11,268	\$ 0	\$ 0	\$ 11,268
Other Local Revenues	39,410	50,000	50,000	(10,590)
Total Revenues	\$ 50,678	\$ 50,000	\$ 50,000	\$ 678
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 65,237	\$ 204,652	\$ 204,652	\$ 139,415
Total Expenditures	\$ 65,237	\$ 204,652	\$ 204,652	\$ 139,415
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,559)	\$ (154,652)	\$ (154,652)	\$ 140,093
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 8,561	\$ 0	\$ 0	\$ 8,561
Total Other Financing Sources	\$ 8,561	\$ 0	\$ 0	\$ 8,561
Net Change in Fund Balance	\$ (5,998)	\$ (154,652)	\$ (154,652)	\$ 148,654
Fund Balance, July 1, 2017	204,602	204,602	204,602	0
Fund Balance, June 30, 2018	\$ 198,604	\$ 49,950	\$ 49,950	\$ 148,654

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 481,817	\$ 529,000	\$ 529,000	\$ (47,183)
Charges for Current Services	0	400,000	0	0
State of Tennessee	57,193	161,536	161,536	(104,343)
Other Governments and Citizens Groups	514,745	31,500	653,134	(138,389)
Total Revenues	\$ 1,053,755	\$ 1,122,036	\$ 1,343,670	\$ (289,915)
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 624,457	\$ 540,489	\$ 740,418	\$ 115,961
Education	541,151	792,000	740,512	199,361
<u>Interest on Debt</u>				
General Government	322,056	303,057	352,244	30,188
Education	152,512	320,019	285,112	132,600
<u>Other Debt Service</u>				
General Government	8,244	12,000	12,000	3,756
Total Expenditures	\$ 1,648,420	\$ 1,967,565	\$ 2,130,286	\$ 481,866
Excess (Deficiency) of Revenues Over Expenditures	\$ (594,665)	\$ (845,529)	\$ (786,616)	\$ 191,951
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 462,574	\$ 445,921	\$ (445,921)
Other Loans Issued	0	57,775	51	(51)
Transfers In	164,167	0	200,000	(35,833)
Total Other Financing Sources	\$ 164,167	\$ 520,349	\$ 645,972	\$ (481,805)
Net Change in Fund Balance	\$ (430,498)	\$ (325,180)	\$ (140,644)	\$ (289,854)
Fund Balance, July 1, 2017	527,647	472,021	472,021	55,626
Fund Balance, June 30, 2018	\$ 97,149	\$ 146,841	\$ 331,377	\$ (234,228)

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 H-1

Houston County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 419,829	\$ 419,829
Accounts Receivable	0	2	2
Due from Other Governments	94,369	0	94,369
Total Assets	<u>\$ 94,369</u>	<u>\$ 419,831</u>	<u>\$ 514,200</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 94,369	\$ 0	\$ 94,369
Due to Litigants, Heirs, and Others	0	419,831	419,831
Total Liabilities	<u>\$ 94,369</u>	<u>\$ 419,831</u>	<u>\$ 514,200</u>

Exhibit H-2

Houston County, Tennessee

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

For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 512,988	\$ 512,988	\$ 0
Due from Other Governments	91,291	94,369	91,291	94,369
Total Assets	\$ 91,291	\$ 607,357	\$ 604,279	\$ 94,369
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 91,291	\$ 607,357	\$ 604,279	\$ 94,369
Total Liabilities	\$ 91,291	\$ 607,357	\$ 604,279	\$ 94,369
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 182,990	\$ 2,123,830	\$ 1,886,991	\$ 419,829
Accounts Receivable	4	2	4	2
Total Assets	\$ 182,994	\$ 2,123,832	\$ 1,886,995	\$ 419,831
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 182,994	\$ 2,123,832	\$ 1,886,995	\$ 419,831
Total Liabilities	\$ 182,994	\$ 2,123,832	\$ 1,886,995	\$ 419,831
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 182,990	\$ 2,123,830	\$ 1,886,991	\$ 419,829
Equity in Pooled Cash and Investments	0	512,988	512,988	0
Accounts Receivable	4	2	4	2
Due from Other Governments	91,291	94,369	91,291	94,369
Total Assets	\$ 274,285	\$ 2,731,189	\$ 2,491,274	\$ 514,200
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 91,291	\$ 607,357	\$ 604,279	\$ 94,369
Due to Litigants, Heirs, and Others	182,994	2,123,832	1,886,995	419,831
Total Liabilities	\$ 274,285	\$ 2,731,189	\$ 2,491,274	\$ 514,200

Houston County School Department

This section presents combining and individual fund financial statements for the Houston County School Department, a discretely presented component unit. The School Department uses a General Fund and two Special Revenue Funds.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Exhibit I-1

Houston County, Tennessee
Statement of Activities
Discretely Presented Houston County School Department
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 7,557,496	\$ 7,309	\$ 988,852	\$ 513,754	\$ (6,047,581)
Support Services	4,191,352	18,762	180,122	16,984	(3,975,484)
Operation of Non-instructional Services	1,212,582	254,154	557,589	30,000	(370,839)
Total Governmental Activities	\$ 12,961,430	\$ 280,225	\$ 1,726,563	\$ 560,738	\$ (10,393,904)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 695,161
Local Option Sales Taxes					610,243
Business Tax					22,886
Grants and Contributions Not Restricted to Specific Programs					9,101,050
Unrestricted Investment Income					26,954
Miscellaneous					65,125
Total General Revenues					\$ 10,521,419
Change in Net Position					\$ 127,515
Net Position, July 1, 2017					11,680,635
Prior-period Adjustment - See Note I.D.8.					(172,952)
Restatement - See Note I.D.9.					(337,345)
Net Position, June 30, 2018					\$ 11,297,853

Exhibit I-2

Houston County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Houston County School Department
June 30, 2018

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Purpose</u>	<u>Govern-</u>	<u>Governmental</u>
	<u>School</u>	<u>mental</u>	<u>Funds</u>
		<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 714	\$ 714
Equity in Pooled Cash and Investments	3,654,489	386,862	4,041,351
Due from Other Governments	349,305	0	349,305
Property Taxes Receivable	747,383	0	747,383
Allowance for Uncollectible Property Taxes	(32,600)	0	(32,600)
Accrued Interest Receivable	12,818	675	13,493
Total Assets	<u>\$ 4,731,395</u>	<u>\$ 388,251</u>	<u>\$ 5,119,646</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 148,527	\$ 0	\$ 148,527
Payroll Deductions Payable	83,553	11,296	94,849
Total Liabilities	<u>\$ 232,080</u>	<u>\$ 11,296</u>	<u>\$ 243,376</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 681,471	\$ 0	\$ 681,471
Deferred Delinquent Property Taxes	29,209	0	29,209
Other Deferred/Unavailable Revenue	67,542	485	68,027
Total Deferred Inflows of Resources	<u>\$ 778,222</u>	<u>\$ 485</u>	<u>\$ 778,707</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Operation of Non-instructional Services	\$ 0	\$ 276,470	\$ 276,470
Restricted for Capital Outlay	80,333	0	80,333
Committed:			
Committed for Education	1,878,915	0	1,878,915
Assigned:			
Assigned for Education	0	100,000	100,000
Unassigned	1,761,845	0	1,761,845
Total Fund Balances	<u>\$ 3,721,093</u>	<u>\$ 376,470</u>	<u>\$ 4,097,563</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,731,395</u>	<u>\$ 388,251</u>	<u>\$ 5,119,646</u>

Exhibit I-3

Houston County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Houston County School Department
June 30, 2018

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 4,097,563
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 483,220	
Add: buildings and improvements net of accumulated depreciation	6,253,831	
Add: other capital assets net of accumulated depreciation	<u>1,125,713</u>	7,862,764
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: contributions due on primary government debt for the capital lease	\$ (135,857)	
Less: net OPEB liability	<u>(700,914)</u>	(836,771)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as a component of pension and OPEB expense in future years.		
Add: deferred outflows of resources related to pensions	\$ 943,424	
Less: deferred inflows of resources related to pensions	(958,456)	
Add: deferred outflows of resources related to OPEB	56,329	
Less: deferred inflows of resources related to OPEB	<u>(27,606)</u>	13,691
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - teacher retirement plan	\$ 17,642	
Add: net pension asset - teacher legacy pension plan	<u>45,728</u>	63,370
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>97,236</u>
Net position of governmental activities (Exhibit A)		<u>\$ 11,297,853</u>

Exhibit I-4

Houston County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Houston County School Department
For the Year Ended June 30, 2018

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,358,614	\$ 0	\$ 1,358,614
Licenses and Permits	529	0	529
Charges for Current Services	26,071	254,154	280,225
Other Local Revenues	86,315	6,852	93,167
State of Tennessee	9,257,167	688	9,257,855
Federal Government	80,261	1,485,525	1,565,786
Other Governments and Citizens Groups	530,738	0	530,738
Total Revenues	<u>\$ 11,339,695</u>	<u>\$ 1,747,219</u>	<u>\$ 13,086,914</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 5,636,530	\$ 833,272	\$ 6,469,802
Support Services	4,250,347	72,960	4,323,307
Operation of Non-Instructional Services	377,984	799,306	1,177,290
Capital Outlay	681,333	0	681,333
Debt Service:			
Other Debt Service	512,096	0	512,096
Total Expenditures	<u>\$ 11,458,290</u>	<u>\$ 1,705,538</u>	<u>\$ 13,163,828</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (118,595)</u>	<u>\$ 41,681</u>	<u>\$ (76,914)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 35,134	\$ 0	\$ 35,134
Total Other Financing Sources (Uses)	<u>\$ 35,134</u>	<u>\$ 0</u>	<u>\$ 35,134</u>
Net Change in Fund Balances	\$ (83,461)	\$ 41,681	\$ (41,780)
Fund Balance, July 1, 2017	<u>3,804,554</u>	<u>334,789</u>	<u>4,139,343</u>
Fund Balance, June 30, 2018	<u>\$ 3,721,093</u>	<u>\$ 376,470</u>	<u>\$ 4,097,563</u>

Exhibit I-5

Houston County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Houston County School Department
For the Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ (41,780)
<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	172,952	
Less: current-year depreciation expense	<u>(498,488)</u>	(325,536)
<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, 2018	\$ 97,236	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(95,205)</u>	2,031
<p>(3) The contributions of long-term debt (e.g., capital leases) by the primary government provide current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Add: principal contributions on capital lease to primary government		37,095
<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 the governmental funds.</p>		
Change in net pension asset - teacher retirement plan	\$ 12,319	
Change in net pension asset - teacher legacy pension plan	918,433	
Change in deferred outflows related to pensions	(583,427)	
Change in deferred inflows related to pensions	112,534	
Change in net OPEB liability (net of restatement)	21,622	
Change in deferred outflows related to OPEB (net of restatement)	1,830	
Change in deferred inflows related to OPEB	<u>(27,606)</u>	<u>455,705</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 127,515</u>

Exhibit I-6

Houston County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Houston County School Department
June 30, 2018

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 714	\$ 714
Equity in Pooled Cash and Investments	108,607	278,255	386,862
Accrued Interest Receivable	0	675	675
Total Assets	<u>\$ 108,607</u>	<u>\$ 279,644</u>	<u>\$ 388,251</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 8,607	\$ 2,689	\$ 11,296
Total Liabilities	<u>\$ 8,607</u>	<u>\$ 2,689</u>	<u>\$ 11,296</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 0	\$ 485	\$ 485
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 485</u>	<u>\$ 485</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Operation of Non-instructional Services	\$ 0	\$ 276,470	\$ 276,470
Assigned:			
Assigned for Education	100,000	0	100,000
Total Fund Balances	<u>\$ 100,000</u>	<u>\$ 276,470</u>	<u>\$ 376,470</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 108,607</u>	<u>\$ 279,644</u>	<u>\$ 388,251</u>

Exhibit I-7

Houston County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Houston County School Department
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 254,154	\$ 254,154
Other Local Revenues	0	6,852	6,852
State of Tennessee	0	688	688
Federal Government	906,232	579,293	1,485,525
Total Revenues	<u>\$ 906,232</u>	<u>\$ 840,987</u>	<u>\$ 1,747,219</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 833,272	\$ 0	\$ 833,272
Support Services	72,960	0	72,960
Operation of Non-Instructional Services	0	799,306	799,306
Total Expenditures	<u>\$ 906,232</u>	<u>\$ 799,306</u>	<u>\$ 1,705,538</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 41,681</u>	<u>\$ 41,681</u>
Net Change in Fund Balances	\$ 0	\$ 41,681	\$ 41,681
Fund Balance, July 1, 2017	100,000	234,789	334,789
Fund Balance, June 30, 2018	<u>\$ 100,000</u>	<u>\$ 276,470</u>	<u>\$ 376,470</u>

Exhibit I-8

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Houston County School Department
General Purpose School Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,358,614	\$ 0	\$ 0	\$ 1,358,614	\$ 1,283,398	\$ 1,283,398	\$ 75,216
Licenses and Permits	529	0	0	529	500	500	29
Charges for Current Services	26,071	0	0	26,071	20,000	20,000	6,071
Other Local Revenues	86,315	0	0	86,315	55,300	55,300	31,015
State of Tennessee	9,257,167	0	0	9,257,167	8,916,979	8,977,710	279,457
Federal Government	80,261	0	0	80,261	0	80,261	0
Other Governments and Citizens Groups	530,738	0	0	530,738	0	0	530,738
Total Revenues	\$ 11,339,695	\$ 0	\$ 0	\$ 11,339,695	\$ 10,276,177	\$ 10,417,169	\$ 922,526
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,774,007	\$ 0	\$ 0	\$ 4,774,007	\$ 5,109,060	\$ 5,109,060	\$ 335,053
Special Education Program	563,882	0	0	563,882	604,500	639,261	75,379
Career and Technical Education Program	298,641	0	0	298,641	294,090	319,090	20,449
<u>Support Services</u>							
Attendance	24,644	0	0	24,644	26,695	26,695	2,051
Health Services	107,301	0	0	107,301	111,300	111,300	3,999
Other Student Support	212,543	0	0	212,543	233,270	233,270	20,727
Regular Instruction Program	468,181	0	0	468,181	505,400	505,400	37,219
Alternative Instruction Program	66,903	0	0	66,903	70,490	70,490	3,587
Special Education Program	164,355	0	0	164,355	164,500	210,000	45,645
Technology	200,740	0	0	200,740	212,450	212,450	11,710
Other Programs	33,961	0	0	33,961	0	33,961	0
Board of Education	385,508	0	0	385,508	410,700	460,700	75,192
Director of Schools	217,965	0	0	217,965	228,980	228,980	11,015
Office of the Principal	644,082	0	0	644,082	674,900	674,900	30,818
Fiscal Services	113,351	(4,477)	0	108,874	117,350	117,350	8,476
Operation of Plant	822,380	0	0	822,380	878,910	888,910	66,530
Maintenance of Plant	225,135	0	0	225,135	237,250	237,250	12,115

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Add: Encumbrances 6/30/2018	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 563,298	\$ 0	\$ 0	\$ 563,298	\$ 589,200	\$ 741,481	\$ 178,183
<u>Operation of Non-Instructional Services</u>							
Food Service	36,497	0	0	36,497	36,650	36,650	153
Community Services	29,443	0	0	29,443	29,611	29,611	168
Early Childhood Education	312,044	0	0	312,044	314,128	315,898	3,854
<u>Capital Outlay</u>							
Regular Capital Outlay	681,333	0	80,333	761,666	160,000	930,000	168,334
<u>Principal on Debt</u>							
Education	0	0	0	0	475,000	0	0
<u>Interest on Debt</u>							
Education	0	0	0	0	5,000	0	0
<u>Other Debt Service</u>							
Education	512,096	0	0	512,096	0	597,719	85,623
Total Expenditures	\$ 11,458,290	\$ (4,477)	\$ 80,333	\$ 11,534,146	\$ 11,489,434	\$ 12,730,426	\$ 1,196,280
Excess (Deficiency) of Revenues Over Expenditures							
	\$ (118,595)	\$ 4,477	\$ (80,333)	\$ (194,451)	\$ (1,213,257)	\$ (2,313,257)	\$ 2,118,806
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 35,134	\$ 0	\$ 0	\$ 35,134	\$ 1,000	\$ 1,000	\$ 34,134
Total Other Financing Sources	\$ 35,134	\$ 0	\$ 0	\$ 35,134	\$ 1,000	\$ 1,000	\$ 34,134
Net Change in Fund Balance							
Fund Balance, July 1, 2017	\$ (83,461)	\$ 4,477	\$ (80,333)	\$ (159,317)	\$ (1,212,257)	\$ (2,312,257)	\$ 2,152,940
	3,804,554	(4,477)	0	3,800,077	3,100,000	3,100,000	700,077
Fund Balance, June 30, 2018	\$ 3,721,093	\$ 0	\$ (80,333)	\$ 3,640,760	\$ 1,887,743	\$ 787,743	\$ 2,853,017

Exhibit I-9

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Houston County School Department
School Federal Projects Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 906,232	\$ 694,814	\$ 1,081,745	\$ (175,513)
Total Revenues	\$ 906,232	\$ 694,814	\$ 1,081,745	\$ (175,513)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 419,595	\$ 317,775	\$ 535,306	\$ 115,711
Special Education Program	385,628	289,700	391,327	5,699
Career and Technical Education Program	28,049	12,700	28,072	23
<u>Support Services</u>				
Other Student Support	4,475	8,431	4,475	0
Regular Instruction Program	49,476	46,908	97,941	48,465
Special Education Program	17,909	18,200	23,524	5,615
Career and Technical Education Program	1,100	1,100	1,100	0
Total Expenditures	\$ 906,232	\$ 694,814	\$ 1,081,745	\$ 175,513
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2017	100,000	100,000	100,000	0
Fund Balance, June 30, 2018	\$ 100,000	\$ 100,000	\$ 100,000	\$ 0

Exhibit I-10

Houston County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Houston County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 254,154	\$ 275,000	\$ 275,000	\$ (20,846)
Other Local Revenues	6,852	9,000	9,000	(2,148)
State of Tennessee	688	1,000	1,000	(312)
Federal Government	579,293	561,000	561,000	18,293
Total Revenues	<u>\$ 840,987</u>	<u>\$ 846,000</u>	<u>\$ 846,000</u>	<u>\$ (5,013)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 799,306	\$ 846,000	\$ 846,000	\$ 46,694
Total Expenditures	<u>\$ 799,306</u>	<u>\$ 846,000</u>	<u>\$ 846,000</u>	<u>\$ 46,694</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 41,681</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,681</u>
Net Change in Fund Balance	\$ 41,681	\$ 0	\$ 0	\$ 41,681
Fund Balance, July 1, 2017	234,789	0	0	234,789
Fund Balance, June 30, 2018	<u>\$ 276,470</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 276,470</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Houston County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Bonds, and Capital Lease
For the Year Ended June 30, 2018

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	*Restated Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
<u>NOTES PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Highway Equipment	\$ 255,000	3.35 %	2-27-13	3-21-23	\$ 162,016	\$ 0	\$ 25,055	\$ 136,961
Highway Lawn Equipment	158,730	2.45	12-9-14	12-9-19	95,238	0	31,754	63,484
Total Payable through Highway/Public Works Fund					<u>\$ 257,254</u>	<u>\$ 0</u>	<u>\$ 56,809</u>	<u>\$ 200,445</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	\$ 21,366	\$ 0	\$ 21,366	\$ 0
Library Renovation	75,000	4.19	4-8-09	4-6-19	15,000	0	7,500	7,500
Airport Maintenance	70,000	3.49	7-9-09	7-10-19	21,000	0	7,000	14,000
School Repair	500,000	3.3	12-20-10	12-1-18	93,483	0	55,556	37,927
Sheriff Vehicles	105,000	3.25	10-31-12	10-31-17	21,000	0	21,000	0
Fire Station Buildings and Equipment (Extension)	54,978	3	6-21-13	6-21-19	19,399	0	9,578	9,821
Election Office Building	62,000	3.25	7-10-13	7-10-23	45,452	0	5,882	39,570
Hospital Computers and Equipment	400,000	3.05	1-6-14	1-6-20	199,999	0	66,667	133,332
Fire Engine and Equipment (Extension)	100,000	2.76	8-8-14	8-8-17	34,424	0	34,424	0
Hospital Ultrasound Equipment	67,000	3.03	8-8-14	8-8-20	44,666	0	11,167	33,499
Hospital X-ray Equipment	70,000	2.44	4-13-15	4-13-20	42,000	0	14,000	28,000
Emergency Response Facility (Extension)	150,000	2.95	7-22-15	7-22-24	133,333	0	16,667	116,666
Ambulance and Equipment	118,000	2.9	4-13-16	4-13-22	98,333	0	19,667	78,666
Board of Education Capital Outlay Notes, Series 2016	150,000	2.98	5-26-16	5-26-28	137,500	0	12,500	125,000
Fire Department - Pumper & Equipment	264,336	3.95	7-20-16	7-20-25	194,336	0	22,028	172,308
Fire Department - Rescue Tools	27,096	3.75	7-26-16	7-26-25	27,096	0	3,011	24,085
Danville Park	250,000	3.59	4-10-17	4-10-23	250,000	0	41,667	208,333
Total Payable through General Debt Service Fund					<u>\$ 1,398,387</u>	<u>\$ 0</u>	<u>\$ 369,680</u>	<u>\$ 1,028,707</u>
Total Notes Payable					<u>\$ 1,655,641</u>	<u>\$ 0</u>	<u>\$ 426,489</u>	<u>\$ 1,229,152</u>

(Continued)

Exhibit J-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	*Restated Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Jail Construction and Courthouse Renovations	\$ 1,800,000	variable %	10-21-1999	5-25-24	\$ 773,000	\$ 0	\$ 95,000	\$ 678,000
School Construction	10,000,000	variable	1-31-00	5-25-27	5,479,000	0	436,000	5,043,000
Jail Construction and Courthouse Renovations	1,000,000	variable	9-7-01	5-25-26	516,000	0	47,000	469,000
Jail Construction and Courthouse Renovations	646,200 (1)	variable	4-26-02	5-25-20	118,200	0	53,000	65,200
Energy Efficient School Initiative	530,738 (2)	0.75	4-26-18	4-26-24	0	530,738	0	530,738
Total Other Loans Payable					<u>\$ 6,886,200</u>	<u>\$ 530,738</u>	<u>\$ 631,000</u>	<u>\$ 6,785,938</u>
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Fire Truck	128,500	4.625	12-28-02	12-28-17	\$ 11,535	\$ 0	\$ 11,535	\$ 0
General Obligation Refunding Bond, Series 2015	7,500,000	3.125	9-14-15	9-14-52	7,304,009	0	116,298	7,187,711
Total Bonds Payable					<u>\$ 7,315,544</u>	<u>\$ 0</u>	<u>\$ 127,833</u>	<u>\$ 7,187,711</u>
CAPITAL LEASE PAYABLE								
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
School Buses	172,952	4.33	5-18-17	7-31-21	\$ 172,952	\$ 0	\$ 37,095	\$ 135,857
Total Capital Lease Payable					<u>\$ 172,952</u>	<u>\$ 0</u>	<u>\$ 37,095</u>	<u>\$ 135,857</u>

* See footnote I.D.8. for prior-period adjustment.

(1) Total amount approved was \$1,200,000, of which \$553,800 remains available for draws as of June 30, 2018.

(2) Total amount approved was \$642,459, of which \$111,721 remains available for draws as of June 30, 2018.

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2019	\$ 333,234	\$ 39,121	\$ 372,355
2020	278,957	29,256	308,213
2021	160,554	20,605	181,159
2022	150,435	15,305	165,740
2023	131,792	10,320	142,112
2024	61,357	5,872	67,229
2025	54,203	3,794	57,997
2026	33,620	1,946	35,566
2027	12,500	745	13,245
2028	12,500	373	12,873
Total	\$ 1,229,152	\$ 127,337	\$ 1,356,489

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2019	\$ 662,000	\$ 90,487	\$ 85,202	\$ 837,689
2020	1,175,938	95,694	76,265	1,347,897
2021	668,000	71,598	67,466	807,064
2022	701,000	61,934	58,448	821,382
2023	737,000	51,792	48,984	837,776
2024	774,000	41,130	39,035	854,165
2025	679,000	29,932	28,455	737,387
2026	713,000	20,113	19,289	752,402
2027	676,000	9,802	9,547	695,349
Total	\$ 6,785,938	\$ 472,482	\$ 432,691	\$ 7,691,111

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 120,300	\$ 222,600	\$ 342,900
2020	124,100	218,800	342,900
2021	128,050	214,850	342,900
2022	132,150	210,750	342,900
2023	136,300	206,600	342,900
2024	140,650	202,250	342,900
2025	145,050	197,850	342,900
2026	149,700	193,200	342,900
2027	154,500	188,400	342,900
2028	159,300	183,600	342,900
2029	164,400	178,500	342,900
2030	169,550	173,350	342,900

Continued

Exhibit J-2

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

Year Ending June 30	Bonds (Cont.)		
	Principal	Interest	Total
2031	174,950	167,950	342,900
2032	180,500	162,400	342,900
2033	186,200	156,700	342,900
2034	192,100	150,800	342,900
2035	198,250	144,650	342,900
2036	204,450	138,450	342,900
2037	210,950	131,950	342,900
2038	217,750	125,150	342,900
2039	224,400	118,500	342,900
2040	231,600	111,300	342,900
2041	238,900	104,000	342,900
2042	246,600	96,300	342,900
2043	254,450	88,450	342,900
2044	262,500	80,400	342,900
2045	270,800	72,100	342,900
2046	279,450	63,450	342,900
2047	288,300	54,600	342,900
2048	297,350	45,550	342,900
2049	306,900	36,000	342,900
2050	316,550	26,350	342,900
2051	326,550	16,350	342,900
2052	336,900	6,000	342,900
2053	17,261	0	17,261
Total	\$ 7,187,711	\$ 4,488,150	\$ 11,675,861

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2019	\$ 31,836	\$ 5,883	\$ 37,719
2020	33,215	4,504	37,719
2021	34,653	3,066	37,719
2022	36,153	1,566	37,719
Total	\$ 135,857	\$ 15,019	\$ 150,876

Exhibit J-3

Houston County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2018

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Debt Service	Debt retirement	\$ 150,000
Special Purpose	Hospital	Operations	780,612
Hospital	General Debt Service	Debt retirement	<u>14,167</u>
Total Transfers			<u><u>\$ 944,779</u></u>

Exhibit J-4

Houston County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Houston County School Department
For the Year Ended June 30, 2018

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <i>TCA</i>	\$ 78,094	\$ 370,069	Auto-Owners Insurance Company
Road Superintendent	Section 8-24-102, <i>TCA</i>	74,379	100,000	"
Director of Schools	State Board of Education and County Board of Education	92,773 (1)	400,000	Tennessee Risk Management Trust
Trustee	Section 8-24-102, <i>TCA</i>	67,613	491,422	Auto-Owners Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	67,613	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	67,613	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, <i>TCA</i>	67,613	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	67,613	50,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	67,613	50,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	74,379	100,000	"
Employee Blanket Bonds:				
County Mayor and Road Superintendent:				
All Employees			400,000	Local Government Property and Casualty Fund
Director of Schools:				
All Employees			400,000	Tennessee Risk Management Trust

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

Exhibit J-5

Houston County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2018

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,277,684	\$ 232,665	\$ 734,727	\$ 0	\$ 0	\$ 12,246
Discount on Property Taxes	(22,549)	(2,305)	(7,276)	0	0	(121)
Trustee's Collections - Prior Year	113,691	9,625	36,093	0	0	602
Trustee's Collections - Bankruptcy	195	17	62	0	0	1
Circuit Clerk/Clerk and Master Collections - Prior Years	66,969	6,726	21,569	0	0	359
Interest and Penalty	22,092	1,950	7,037	0	0	117
Payments in-Lieu-of Taxes - Local Utilities	21,349	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	94,436	0	0	0	0	0
Hotel/Motel Tax	18,341	0	0	0	0	0
Wheel Tax	0	0	0	0	0	0
Litigation Tax - General	14,084	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	2,978	0	0	0	0	0
Business Tax	15,876	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	12,842	0	0	0	0	0
Wholesale Beer Tax	14,410	0	0	0	0	0
Other Statutory Local Taxes	0	5,071	0	0	0	0
Total Local Taxes	<u>\$ 2,652,398</u>	<u>\$ 253,749</u>	<u>\$ 792,212</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,204</u>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 1,527	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	<u>\$ 1,527</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 1,615	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	2,735	0	0	0	0	0
Drug Control Fines	0	0	0	1,188	0	0
Jail Fees	685	0	0	0	0	0
Data Entry Fee - Circuit Court	412	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	7,193	0	0	0	0	0
Officers Costs	9,923	0	0	0	0	0
Game and Fish Fines	281	0	0	0	0	0
Drug Control Fines	0	0	0	10,080	0	0
Jail Fees	1,465	0	0	0	0	0
Data Entry Fee - General Sessions Court	1,534	0	0	0	0	0
Courtroom Security Fee	6	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	359	0	0	0	0	0
Officers Costs	781	0	0	0	0	0
Data Entry Fee - Juvenile Court	1,046	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	2,014	0	0	0	0	0
Data Entry Fee - Chancery Court	4,281	0	0	0	0	0
Courtroom Security Fee	195	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 34,525	\$ 0	\$ 0	\$ 11,268	\$ 0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 2,584	\$ 0	\$ 0	\$ 0	0
Surcharge - State	6,618	0	0	0	0	0
Patient Charges	603,922	0	0	0	0	0
<u>Fees</u>						
Airport Fees	3,825	0	0	0	0	0
Copy Fees	13,988	0	0	0	0	0
Greenbelt Late Application Fee	62	0	0	0	0	0
Telephone Commissions	10,870	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	70,316	0
Data Processing Fee - Register	2,632	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	2,158	0	0	0	0	0
Data Processing Fee - County Clerk	860	0	0	0	0	0
Total Charges for Current Services	\$ 644,935	\$ 2,584	\$ 0	\$ 0	70,316	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Lease/Rentals	\$ 15,925	\$ 0	\$ 0	\$ 0	\$ 0	0
Sale of Materials and Supplies	162	0	0	0	0	0
Commissary Sales	5,199	0	0	0	0	0
Sale of Recycled Materials	0	5,910	0	0	0	0
Miscellaneous Refunds	35,053	0	0	0	0	150
<u>Nonrecurring Items</u>						
Sale of Equipment	37,525	0	0	39,410	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	21,852	3,500	0	0	0	0
Total Other Local Revenues	\$ 115,716	\$ 9,410	\$ 0	\$ 39,410	\$ 0	150

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works
<u>Fees Received From County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 22,587	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Officials	2,315	0	0	0	0	0
<u>Fees In-Lieu-of Salary</u>						
Circuit Court Clerk	18,608	0	0	0	0	0
General Sessions Court Clerk	31,455	0	0	0	0	0
Clerk and Master	43,666	0	0	0	0	0
Juvenile Court Clerk	6,220	0	0	0	0	0
Register	31,095	0	0	0	0	0
Sheriff	5,499	0	0	0	0	0
Trustee	145,712	0	0	0	0	0
Total Fees Received From County Officials	\$ 307,157	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,045	\$ 0	\$ 0	\$ 0	\$ 0	0
Airport Maintenance Program	2,837	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	5,400	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	133,715
State Aid Program	0	0	0	0	0	476,974
Litter Program	37,180	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	1,350	0	0	0	0	0
Resort District Sales Tax	27,029	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Beer Tax	\$ 17,839	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Alcoholic Beverage Tax	0	24,531	0	0	0	0
State Revenue Sharing - T.V.A.	160,386	35,000	0	0	0	0
State Revenue Sharing - Telecommunications	19,515	0	0	0	0	0
Contracted Prisoner Boarding	112,610	0	0	0	0	0
Gasoline and Motor Fuel Tax	17,578	0	0	0	0	1,639,431
Petroleum Special Tax	0	0	0	0	0	6,079
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	193,343	0	0	0	0	67,293
Other State Revenues	11,305	0	0	0	0	0
Total State of Tennessee	\$ 630,581	\$ 59,531	\$ 0	\$ 0	\$ 0	\$ 2,323,492
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 18,953	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Disaster Relief	0	0	0	0	0	136,634
Homeland Security Grants	1,226	0	0	0	0	0
Law Enforcement Grants	5,404	0	0	0	0	0
Other Federal through State	129,693	0	0	0	0	0
Total Federal Government	\$ 155,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 136,634
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 172,577	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	39,024	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 211,601	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 4,753,716	\$ 325,274	\$ 792,212	\$ 50,678	\$ 70,316	\$ 2,473,480

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>	
	General Debt Service	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 3,257,322
Discount on Property Taxes	0	(32,251)
Trustee's Collections - Prior Year	0	160,011
Trustee's Collections - Bankruptcy	2	277
Circuit Clerk/Clerk and Master Collections - Prior Years	0	95,623
Interest and Penalty	0	31,196
Payments in-Lieu-of Taxes - Local Utilities	0	21,349
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	94,436
Hotel/Motel Tax	0	18,341
Wheel Tax	479,506	479,506
Litigation Tax - General	0	14,084
Litigation Tax - Jail, Workhouse, or Courthouse	2,309	5,287
Business Tax	0	15,876
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	12,842
Wholesale Beer Tax	0	14,410
Other Statutory Local Taxes	0	5,071
Total Local Taxes	<u>\$ 481,817</u>	<u>\$ 4,193,380</u>
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Cable TV Franchise	\$ 0	\$ 1,527
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 1,527</u>

(Continued)

Exhibit J-5

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

	Debt Service Fund	General Debt Service	Total
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	\$ 0	\$ 0	1,615
Officers Costs	0	0	2,735
Drug Control Fines	0	0	1,188
Jail Fees	0	0	685
Data Entry Fee - Circuit Court	0	0	412
<u>General Sessions Court</u>			
Fines	0	0	7,193
Officers Costs	0	0	9,923
Game and Fish Fines	0	0	281
Drug Control Fines	0	0	10,080
Jail Fees	0	0	1,465
Data Entry Fee - General Sessions Court	0	0	1,534
Courtroom Security Fee	0	0	6
<u>Juvenile Court</u>			
Fines	0	0	359
Officers Costs	0	0	781
Data Entry Fee - Juvenile Court	0	0	1,046
<u>Chancery Court</u>			
Officers Costs	0	0	2,014
Data Entry Fee - Chancery Court	0	0	4,281
Courtroom Security Fee	0	0	195
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 0</u>	<u>45,793</u>

(Continued)

Exhibit J-5

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

	Debt Service Fund	General Debt Service	Total
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Tipping Fees	\$ 0	\$ 0	2,584
Surcharge - State	0	0	6,618
Patient Charges	0	0	603,922
<u>Fees</u>			
Airport Fees	0	0	3,825
Copy Fees	0	0	13,988
Greenbelt Late Application Fee	0	0	62
Telephone Commissions	0	0	10,870
Constitutional Officers' Fees and Commissions	0	0	70,316
Data Processing Fee - Register	0	0	2,632
Sexual Offender Registration Fee - Sheriff	0	0	2,158
Data Processing Fee - County Clerk	0	0	860
Total Charges for Current Services	\$ 0	\$ 0	717,835
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Lease/Rentals	\$ 0	\$ 0	15,925
Sale of Materials and Supplies	0	0	162
Commissary Sales	0	0	5,199
Sale of Recycled Materials	0	0	5,910
Miscellaneous Refunds	0	0	35,203
<u>Nonrecurring Items</u>			
Sale of Equipment	0	0	76,935
<u>Other Local Revenues</u>			
Other Local Revenues	0	0	25,352
Total Other Local Revenues	\$ 0	\$ 0	164,686

(Continued)

Exhibit J-5

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

	<u>Debt Service</u> <u>Fund</u>		<u>General</u> <u>Debt</u> <u>Service</u>	<u>Total</u>
<u>Fees Received From County Officials</u>				
<u>Excess Fees</u>				
County Clerk	\$	0	\$	22,587
Other Officials			0	2,315
<u>Fees In-Lieu-of Salary</u>				
Circuit Court Clerk			0	18,608
General Sessions Court Clerk			0	31,455
Clerk and Master			0	43,666
Juvenile Court Clerk			0	6,220
Register			0	31,095
Sheriff			0	5,499
Trustee			0	145,712
Total Fees Received From County Officials	\$	0	\$	307,157
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$	0	\$	9,045
Airport Maintenance Program			0	2,837
<u>Public Safety Grants</u>				
Law Enforcement Training Programs			0	5,400
<u>Public Works Grants</u>				
Bridge Program			0	133,715
State Aid Program			0	476,974
Litter Program			0	37,180
<u>Other State Revenues</u>				
Income Tax			0	1,350
Resort District Sales Tax			57,193	84,222

(Continued)

Exhibit J-5

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

	Debt Service Fund		General Debt Service	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues (Cont.)</u>				
Beer Tax	\$	0	\$	17,839
Alcoholic Beverage Tax		0		24,531
State Revenue Sharing - T.V.A.		0		195,386
State Revenue Sharing - Telecommunications		0		19,515
Contracted Prisoner Boarding		0		112,610
Gasoline and Motor Fuel Tax		0		1,657,009
Petroleum Special Tax		0		6,079
Registrar's Salary Supplement		0		15,164
Other State Grants		0		260,636
Other State Revenues		0		11,305
Total State of Tennessee	\$	57,193	\$	3,070,797
<u>Federal Government</u>				
<u>Federal Through State</u>				
Community Development	\$	0	\$	18,953
Disaster Relief		0		136,634
Homeland Security Grants		0		1,226
Law Enforcement Grants		0		5,404
Other Federal through State		0		129,693
Total Federal Government	\$	0	\$	291,910
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$	514,745	\$	687,322
Contracted Services		0		39,024
Total Other Governments and Citizens Groups	\$	514,745	\$	726,346
Total	\$	1,053,755	\$	9,519,431

Exhibit J-6

Houston County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Houston County School Department
For the Year Ended June 30, 2018

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 649,016	\$ 0	\$ 0	\$ 649,016
Discount on Property Taxes	(6,427)	0	0	(6,427)
Trustee's Collections - Prior Year	31,882	0	0	31,882
Trustee's Collections - Bankruptcy	55	0	0	55
Circuit Clerk/Clerk and Master Collections - Prior Years	17,485	0	0	17,485
Interest and Penalty	6,216	0	0	6,216
Payments in-Lieu-of Taxes - T.V.A.	628	0	0	628
Payments in-Lieu-of Taxes - Local Utilities	31,396	0	0	31,396
<u>County Local Option Taxes</u>				
Local Option Sales Tax	604,548	0	0	604,548
Business Tax	23,815	0	0	23,815
Total Local Taxes	<u>\$ 1,358,614</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,358,614</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 529	\$ 0	\$ 0	\$ 529
Total Licenses and Permits	<u>\$ 529</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 529</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 7,309	\$ 0	\$ 0	\$ 7,309
Lunch Payments - Children	0	0	156,103	156,103
Lunch Payments - Adults	0	0	24,587	24,587
Income from Breakfast	0	0	36,706	36,706

(Continued)

Exhibit J-6

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Charges for Current Services (Cont.)</u>				
<u>Education Charges (Cont.)</u>				
A la Carte Sales	\$ 0	\$ 0	\$ 36,758	\$ 36,758
Receipts from Individual Schools	18,762	0	0	18,762
Total Charges for Current Services	<u>\$ 26,071</u>	<u>\$ 0</u>	<u>\$ 254,154</u>	<u>\$ 280,225</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 26,639	\$ 0	\$ 1,403	\$ 28,042
Miscellaneous Refunds	57,754	0	5,449	63,203
<u>Nonrecurring Items</u>				
Sale of Equipment	270	0	0	270
Damages Recovered from Individuals	1,652	0	0	1,652
Total Other Local Revenues	<u>\$ 86,315</u>	<u>\$ 0</u>	<u>\$ 6,852</u>	<u>\$ 93,167</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 33,961	\$ 0	\$ 0	\$ 33,961
<u>State Education Funds</u>				
Basic Education Program	8,462,000	0	0	8,462,000
Early Childhood Education	312,043	0	0	312,043
School Food Service	6,189	0	688	6,877
Other State Education Funds	29,938	0	0	29,938
Coordinated School Health	88,845	0	0	88,845
Internet Connectivity	3,462	0	0	3,462
Family Resource Centers	29,443	0	0	29,443
Career Ladder Program	31,339	0	0	31,339

(Continued)

Exhibit J-6

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
Income Tax	\$ 2,025	\$ 0	\$ 0	\$ 2,025
State Revenue Sharing - T.V.A.	229,207	0	0	229,207
Other State Grants	20,145	0	0	20,145
Safe Schools	8,570	0	0	8,570
Total State of Tennessee	<u>\$ 9,257,167</u>	<u>\$ 0</u>	<u>\$ 688</u>	<u>\$ 9,257,855</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 344,736	\$ 344,736
USDA - Commodities	0	0	61,021	61,021
Breakfast	0	0	143,536	143,536
USDA Food Service Equipment Grant	0	0	30,000	30,000
Vocational Education - Basic Grants to States	0	33,624	0	33,624
Title I Grants to Local Education Agencies	0	375,265	0	375,265
Special Education - Grants to States	80,261	379,583	0	459,844
Special Education Preschool Grants	0	23,954	0	23,954
Rural Education	0	28,421	0	28,421
Eisenhower Professional Development State Grants	0	65,385	0	65,385
Total Federal Government	<u>\$ 80,261</u>	<u>\$ 906,232</u>	<u>\$ 579,293</u>	<u>\$ 1,565,786</u>
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 530,738	\$ 0	\$ 0	\$ 530,738
Total Other Governments and Citizens Groups	<u>\$ 530,738</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 530,738</u>
Total	<u>\$ 11,339,695</u>	<u>\$ 906,232</u>	<u>\$ 840,987</u>	<u>\$ 13,086,914</u>

Exhibit J-7

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2018

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	6,061	
Social Security		474	
Unemployment Compensation		1	
Employer Medicare		111	
Audit Services		3,118	
Dues and Memberships		1,993	
Legal Services		96,490	
Legal Notices, Recording, and Court Costs		2,634	
Other Contracted Services		1,000	
Total County Commission			\$ 111,882

Board of Equalization

Board and Committee Members Fees	\$	960	
Social Security		60	
Unemployment Compensation		5	
Employer Medicare		14	
Total Board of Equalization			1,039

Budget and Finance Committee

Other Salaries and Wages	\$	1,054	
Board and Committee Members Fees		950	
Social Security		124	
Employer Medicare		29	
Total Budget and Finance Committee			2,157

Other Boards and Committees

Part-time Personnel	\$	8,912	
Social Security		553	
Unemployment Compensation		71	
Employer Medicare		129	
Travel		50	
Instructional Supplies and Materials		2,992	
Total Other Boards and Committees			12,707

County Mayor/Executive

County Official/Administrative Officer	\$	78,094	
Accountants/Bookkeepers		24,115	
Clerical Personnel		23,887	
In-service Training		139	
Social Security		7,818	
Unemployment Compensation		282	
Employer Medicare		1,828	
Data Processing Services		11,554	
Dues and Memberships		975	
Travel		1,475	
Office Supplies		1,805	
Total County Mayor/Executive			151,972

(Continued)

Exhibit J-7

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

General Fund (Cont.)General Government (Cont.)County Attorney

County Official/Administrative Officer	\$	25,000	
Dues and Memberships		100	
Total County Attorney			\$ 25,100

Election Commission

County Official/Administrative Officer	\$	60,852	
Clerical Personnel		17,471	
Election Commission		1,400	
Election Workers		3,559	
In-service Training		730	
Social Security		5,117	
Unemployment Compensation		374	
Employer Medicare		1,197	
Data Processing Services		6,752	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		729	
Maintenance and Repair Services - Buildings		370	
Maintenance and Repair Services - Office Equipment		1,959	
Travel		707	
Data Processing Supplies		2,541	
Utilities		3,413	
Other Supplies and Materials		4,396	
Data Processing Equipment		1,063	
Voting Machines		3,055	
Total Election Commission			115,860

Register of Deeds

County Official/Administrative Officer	\$	67,613	
Deputy(ies)		15,480	
Social Security		5,152	
Unemployment Compensation		270	
Employer Medicare		1,205	
Dues and Memberships		413	
Printing, Stationery, and Forms		44	
Office Supplies		2,954	
Data Processing Equipment		2,764	
Total Register of Deeds			95,895

Development

Other Contracted Services	\$	39,139	
Other Construction		143,655	
Total Development			182,794

Planning

Data Processing Personnel	\$	10,551	
Social Security		654	
Unemployment Compensation		58	
Employer Medicare		153	
Total Planning			11,416

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Building

Maintenance and Repair Services - Buildings	\$ 4,840	
Total Building		\$ 4,840

County Buildings

Custodial Personnel	\$ 21,976	
Social Security	1,363	
Unemployment Compensation	145	
Employer Medicare	319	
Contracts with Private Agencies	340	
Maintenance Agreements	3,215	
Maintenance and Repair Services - Buildings	10,669	
Other Contracted Services	726	
Custodial Supplies	3,175	
Electricity	15,456	
Natural Gas	2,813	
Water and Sewer	3,489	
Building and Contents Insurance	8,000	
Other Construction	612	
Total County Buildings		72,298

Other General Administration

Postal Charges	\$ 9,212	
Rentals	4,605	
Data Processing Supplies	5,138	
Total Other General Administration		18,955

Finance

Central Services

Other Salaries and Wages	\$ 15,377	
Social Security	953	
Unemployment Compensation	108	
Employer Medicare	223	
Total Central Services		16,661

Property Assessor's Office

County Official/Administrative Officer	\$ 67,613	
Secretary(ies)	14,581	
Social Security	5,161	
Unemployment Compensation	129	
Employer Medicare	1,207	
Contracts with Private Agencies	2,605	
Data Processing Services	2,061	
Dues and Memberships	1,085	
Legal Notices, Recording, and Court Costs	97	
Maintenance and Repair Services - Vehicles	109	
Travel	140	
Gasoline	228	
Office Supplies	638	
Total Property Assessor's Office		95,654

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Laborers	\$	3,549	
Clerical Personnel		1,169	
In-service Training		100	
Social Security		228	
Unemployment Compensation		46	
Employer Medicare		53	
Data Processing Services		1,308	
Travel		160	
Total Reappraisal Program			\$ 6,613

County Trustee's Office

County Official/Administrative Officer	\$	67,613	
Clerical Personnel		20,527	
Other Salaries and Wages		2,921	
Social Security		5,646	
Unemployment Compensation		198	
Employer Medicare		1,320	
Data Processing Services		8,353	
Dues and Memberships		450	
Legal Notices, Recording, and Court Costs		240	
Travel		76	
Other Contracted Services		3,354	
Office Supplies		988	
Data Processing Equipment		3,310	
Total County Trustee's Office			114,996

County Clerk's Office

Deputy(ies)	\$	14,656	
Secretary(ies)		25,615	
Clerical Personnel		4,640	
Other Salaries and Wages		6,588	
Social Security		7,368	
Unemployment Compensation		353	
Employer Medicare		1,723	
Contracts with Private Agencies		3,000	
Maintenance and Repair Services - Records		1,762	
Office Supplies		2,341	
Total County Clerk's Office			68,046

Data Processing

Office Equipment	\$	423	
Total Data Processing			423

Other Finance

Contracts with Government Agencies	\$	9,710	
Total Other Finance			9,710

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	67,613	
Deputy(ies)		17,810	
Clerical Personnel		19,317	
Jury and Witness Expense		10,000	
Social Security		6,494	
Unemployment Compensation		546	
Employer Medicare		1,519	
Dues and Memberships		450	
Legal Notices, Recording, and Court Costs		698	
Travel		190	
Office Supplies		3,420	
Data Processing Equipment		9,331	
Total Circuit Court			\$ 137,388

General Sessions Judge

Judge(s)	\$	51,588	
Salary Supplements		4,504	
Social Security		3,478	
Employer Medicare		813	
Dues and Memberships		275	
Travel		1,088	
Total General Sessions Judge			61,746

Chancery Court

County Official/Administrative Officer	\$	67,613	
Deputy(ies)		18,928	
Part-time Personnel		2,992	
Social Security		5,551	
Unemployment Compensation		395	
Employer Medicare		1,298	
Dues and Memberships		60	
Legal Notices, Recording, and Court Costs		30	
Maintenance and Repair Services - Office Equipment		200	
Travel		261	
Office Supplies		1,500	
Premiums on Corporate Surety Bonds		16,185	
Data Processing Equipment		5,848	
Total Chancery Court			120,861

Juvenile Court

Judge(s)	\$	13,520	
Social Workers		28,480	
Guards		120	
Social Security		2,604	
Unemployment Compensation		139	
Employer Medicare		609	
Contracts with Private Agencies		125	

(Continued)

Exhibit J-7

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

General Fund (Cont.)Administration of Justice (Cont.)Juvenile Court (Cont.)

Travel	\$	276	
Other Contracted Services		46	
Other Supplies and Materials		438	
Other Charges		413	
Total Juvenile Court			\$ 46,770

District Attorney General

County Official/Administrative Officer	\$	1,293	
Total District Attorney General			1,293

Judicial Commissioners

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

Other Administration of Justice

Guards	\$	1,000	
Social Security		62	
Unemployment Compensation		20	
Employer Medicare		15	
Total Other Administration of Justice			1,097

Public SafetySheriff's Department

County Official/Administrative Officer	\$	74,379	
Deputy(ies)		277,972	
Salary Supplements		4,800	
Secretary(ies)		18,877	
In-service Training		8,000	
Social Security		23,259	
Unemployment Compensation		1,543	
Employer Medicare		5,447	
Communication		901	
Maintenance and Repair Services - Equipment		429	
Maintenance and Repair Services - Office Equipment		1,496	
Maintenance and Repair Services - Vehicles		8,791	
Postal Charges		629	
Gasoline		27,500	
Law Enforcement Supplies		856	
Office Supplies		1,000	
Tires and Tubes		3,148	
Uniforms		1,663	
Other Supplies and Materials		1,121	
Vehicle and Equipment Insurance		4,500	
Data Processing Equipment		692	
Law Enforcement Equipment		1,461	
Total Sheriff's Department			468,464

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Special Patrols

Deputy(ies)	\$	3,919	
Social Security		268	
Unemployment Compensation		10	
Employer Medicare		63	
Total Special Patrols			\$ 4,260

Drug Enforcement

Evaluation and Testing	\$	2,970	
Total Drug Enforcement			2,970

Administration of the Sexual Offender Registry

Law Enforcement Equipment	\$	450	
Total Administration of the Sexual Offender Registry			450

Jail

Deputy(ies)	\$	2,780	
Guards		264,605	
Secretary(ies)		21,160	
Cafeteria Personnel		25,450	
Social Security		19,468	
Unemployment Compensation		3,380	
Employer Medicare		4,553	
Communication		10,114	
Data Processing Services		900	
Dues and Memberships		975	
Maintenance and Repair Services - Buildings		11,000	
Maintenance and Repair Services - Equipment		4,376	
Maintenance and Repair Services - Office Equipment		1,021	
Medical and Dental Services		129,636	
Pest Control		225	
Postal Charges		495	
Travel		345	
Custodial Supplies		3,992	
Electricity		27,581	
Food Supplies		46,982	
Gasoline		2,000	
Natural Gas		8,644	
Office Supplies		987	
Uniforms		254	
Water and Sewer		13,881	
Other Supplies and Materials		993	
Law Enforcement Equipment		340	
Total Jail			606,137

Fire Prevention and Control

Supervisor/Director	\$	30,299	
In-service Training		4,982	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Social Security	\$	1,879	
Unemployment Compensation		140	
Employer Medicare		439	
Rentals		90	
Travel		389	
Electricity		1,790	
Equipment and Machinery Parts		9,919	
Gasoline		6,854	
Natural Gas		2,765	
Office Supplies		1,132	
Water and Sewer		590	
Building and Contents Insurance		1,300	
Other Charges		982	
Maintenance Equipment		13,190	
Total Fire Prevention and Control			\$ 76,740

Rural Fire Protection

Maintenance Agreements	\$	1,699	
Maintenance and Repair Services - Equipment		1,150	
Other Contracted Services		1,188	
Office Equipment		1,129	
Total Rural Fire Protection			5,166

Rescue Squad

Equipment and Machinery Parts	\$	25,561	
Other Equipment		110,047	
Total Rescue Squad			135,608

Other Emergency Management

Supervisor/Director	\$	25,375	
Salary Supplements		5,593	
Dispatchers/Radio Operators		118,823	
In-service Training		887	
Social Security		9,287	
Unemployment Compensation		1,024	
Employer Medicare		2,172	
Communication		4,771	
Contracts with Private Agencies		2,240	
Maintenance and Repair Services - Buildings		1,207	
Maintenance and Repair Services - Office Equipment		1,236	
Pest Control		200	
Postal Charges		56	
Travel		471	
Custodial Supplies		1,250	
Electricity		10,804	
Natural Gas		832	
Office Supplies		1,332	
Water and Sewer		199	
Total Other Emergency Management			187,759

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Medical Personnel	\$ 20,805	
Total County Coroner/Medical Examiner		\$ 20,805

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 8,042	
Social Security	403	
Unemployment Compensation	130	
Employer Medicare	94	
Communication	3,598	
Contracts with Government Agencies	14,377	
Electricity	6,502	
Water and Sewer	1,509	
Other Supplies and Materials	470	
Building and Contents Insurance	550	
Other Charges	1,146	
Total Local Health Center		36,821

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 41,160
Accountants/Bookkeepers	24,470
Medical Personnel	277,436
Paraprofessionals	218,269
Other Salaries and Wages	1,100
In-service Training	1,725
Social Security	34,870
Unemployment Compensation	3,080
Employer Medicare	8,155
Contracts with Private Agencies	530
Data Processing Services	3,450
Licenses	1,500
Maintenance and Repair Services - Buildings	774
Maintenance and Repair Services - Office Equipment	339
Maintenance and Repair Services - Vehicles	28,781
Pest Control	1,822
Postal Charges	484
Travel	297
Remittance of Revenue Collected	3,502
Other Contracted Services	300
Custodial Supplies	1,831
Drugs and Medical Supplies	37,103
Electricity	6,384
Gasoline	21,955
Office Supplies	1,902
Uniforms	3,196
Utilities	5,320
Water and Sewer	765

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Other Charges	\$	396	
Data Processing Equipment		1,073	
Office Equipment		2,905	
Total Ambulance/Emergency Medical Services			\$ 734,874

Sanitation Education/Information

Laborers	\$	20,243	
Clerical Personnel		6,800	
Social Security		1,677	
Unemployment Compensation		253	
Employer Medicare		392	
Maintenance and Repair Services - Vehicles		1,711	
Gasoline		3,204	
Other Supplies and Materials		566	
Other Charges		8,648	
Total Sanitation Education/Information			43,494

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	44,640	
Total Adult Activities			44,640

Libraries

Deputy(ies)	\$	19,094	
Librarians		33,252	
Clerical Personnel		18,491	
Part-time Personnel		9,984	
Social Security		5,085	
Unemployment Compensation		580	
Employer Medicare		1,189	
Dues and Memberships		215	
Janitorial Services		1,200	
Maintenance and Repair Services - Buildings		3,162	
Postal Charges		400	
Travel		1,083	
Other Contracted Services		480	
Custodial Supplies		599	
Data Processing Supplies		1,687	
Electricity		6,449	
Library Books/Media		8,210	
Natural Gas		1,374	
Office Supplies		2,006	
Water and Sewer		454	
Other Supplies and Materials		374	
Total Libraries			115,368

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

Custodial Supplies	\$	185	
Electricity		1,032	
Water and Sewer		433	
Total Parks and Fair Boards			\$ 1,650

Other Social, Cultural, and Recreational

Contracts with Other Public Agencies	\$	25,400	
Total Other Social, Cultural, and Recreational			25,400

Agriculture and Natural Resources

Agricultural Extension Service

Assistant(s)	\$	10,673	
Supervisor/Director		12,512	
Secretary(ies)		6,753	
Social Security		1,386	
Local Retirement		4,164	
Travel		2,500	
Office Supplies		1,249	
Data Processing Equipment		542	
Other Equipment		897	
Total Agricultural Extension Service			40,676

Soil Conservation

Board and Committee Members Fees	\$	8,137	
Social Security		505	
Unemployment Compensation		163	
Employer Medicare		118	
Contributions		800	
Total Soil Conservation			9,723

Other Operations

Tourism

Maintenance Personnel	\$	6,697	
Social Security		415	
Unemployment Compensation		114	
Employer Medicare		97	
Contracts with Other Public Agencies		1,618	
Maintenance and Repair Services - Buildings		3,077	
Maintenance and Repair Services - Equipment		422	
Electricity		3,192	
Garage Supplies		1,672	
Other Charges		41,271	
Building Improvements		1,368	
Total Tourism			59,943

Industrial Development

Engineering Services	\$	20,000	
Total Industrial Development			20,000

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport

Part-time Personnel	\$	18,200	
Social Security		1,128	
Unemployment Compensation		140	
Employer Medicare		264	
Maintenance Agreements		6,005	
Maintenance and Repair Services - Buildings		699	
Travel		208	
Diesel Fuel		8,885	
Electricity		1,783	
Water and Sewer		330	
Building and Contents Insurance		1,705	
Total Airport			\$ 39,347

Veterans' Services

Supervisor/Director	\$	14,280	
Social Security		885	
Unemployment Compensation		157	
Employer Medicare		207	
Communication		1,315	
Travel		448	
Electricity		992	
Water and Sewer		337	
Other Supplies and Materials		800	
Total Veterans' Services			19,421

Other Charges

Communication	\$	51,674	
Total Other Charges			51,674

Employee Benefits

Medical Insurance	\$	184,486	
Workers' Compensation Insurance		66,412	
Total Employee Benefits			250,898

Payments to Cities

Matching Share	\$	6,926	
Total Payments to Cities			6,926

Miscellaneous

Dues and Memberships	\$	1,713	
Remittance of Revenue Collected		13,131	
Liability Insurance		98,698	
Trustee's Commission		55,703	
Other Charges		1,000	
Total Miscellaneous			170,245

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Capital Projects

General Administration Projects

Building Improvements	\$ 7,333	
Total General Administration Projects		\$ 7,333

Administration of Justice Projects

Engineering Services	\$ 18,953	
Total Administration of Justice Projects		18,953

Public Safety Projects

Law Enforcement Supplies	\$ 24,797	
Total Public Safety Projects		24,797

Social, Cultural, and Recreation Projects

Health Equipment	\$ 24,999	
Total Social, Cultural, and Recreation Projects		24,999

Other General Government Projects

Engineering Services	\$ 5,000	
Other Contracted Services	738	
Other Charges	2,500	
Other Equipment	41,655	
Total Other General Government Projects		<u>49,893</u>

Total General Fund		\$ 4,807,744
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Solid Waste/Sanitation Fund

Public Health and Welfare

Convenience Centers

Equipment Operators	\$ 48,525	
Other Salaries and Wages	5,459	
Social Security	3,347	
Unemployment Compensation	353	
Employer Medicare	783	
Communication	762	
Contracts with Private Agencies	208,191	
Evaluation and Testing	4,500	
Operating Lease Payments	15,000	
Maintenance and Repair Services - Equipment	5,389	
Disposal Fees	2,500	
Diesel Fuel	2,471	
Electricity	2,225	
Water and Sewer	2,400	
Maintenance Equipment	3,979	
Total Convenience Centers		\$ 305,884

Other Operations

Other Charges

Trustee's Commission	\$ 5,668	
Total Other Charges		5,668

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Medical Insurance	\$ 14,876	
Total Employee Benefits		\$ 14,876

Interest on Debt

General Government

Interest on Notes	\$ 1,063	
Total General Government		1,063

Total Solid Waste/Sanitation Fund		\$ 327,491
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Special Purpose Fund

Public Health and Welfare

Other Local Health Services

Building Improvements	\$ 10,031	
Total Other Local Health Services		\$ 10,031

Other Operations

Other Charges

Trustee's Commission	\$ 15,931	
Total Other Charges		15,931

Total Special Purpose Fund		25,962
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Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 184	
Other Supplies and Materials	3,946	
Other Charges	3,761	
Law Enforcement Equipment	57,346	
Total Drug Enforcement		\$ 65,237

Total Drug Control Fund		65,237
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Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 68,726	
Total County Clerk's Office		\$ 68,726

Total Constitutional Officers - Fees Fund		68,726
---	--	--------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 74,379	
Accountants/Bookkeepers	36,341	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Administration (Cont.)

Secretary(ies)	\$	30,687	
Overtime Pay		1,310	
Data Processing Services		11,304	
Dues and Memberships		1,938	
Freight Expenses		1,331	
Operating Lease Payments		1,721	
Legal Notices, Recording, and Court Costs		558	
Postal Charges		296	
Printing, Stationery, and Forms		616	
Travel		713	
Office Supplies		1,354	
Other Charges		35	
Total Administration			\$ 162,583

Highway and Bridge Maintenance

Foremen	\$	35,298	
Equipment Operators		220,394	
Truck Drivers		137,114	
Laborers		65,615	
Overtime Pay		13,720	
Other Contracted Services		19,787	
Asphalt - Cold Mix		15,495	
Asphalt - Liquid		157,119	
Concrete		226	
Crushed Stone		143,160	
Ice		1,371	
Pipe - Metal		16,581	
Road Signs		3,661	
Structural Steel		395	
Wood Products		1,770	
Other Supplies and Materials		663	
Total Highway and Bridge Maintenance			832,369

Operation and Maintenance of Equipment

Mechanic(s)	\$	62,122	
Overtime Pay		1,759	
Licenses		45	
Maintenance and Repair Services - Equipment		14,497	
Maintenance and Repair Services - Vehicles		11,791	
Diesel Fuel		57,531	
Equipment and Machinery Parts		46,486	
Garage Supplies		12,269	
Gasoline		13,882	
Lubricants		2,556	
Propane Gas		85	
Small Tools		1,294	
Tires and Tubes		27,590	
Vehicle Parts		26,989	
Total Operation and Maintenance of Equipment			278,896

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$	9,755	
Contracts with Private Agencies		630	
Janitorial Services		1,975	
Pest Control		300	
Rentals		15,804	
Custodial Supplies		433	
Drugs and Medical Supplies		448	
Electricity		5,811	
Natural Gas		4,915	
Water and Sewer		548	
Trustee's Commission		16,369	
Vehicle and Equipment Insurance		15,924	
Liability Claims		1,000	
Other Charges		3,407	
Total Other Charges			\$ 77,319

Employee Benefits

Social Security	\$	39,018	
Life Insurance		6,655	
Medical Insurance		115,652	
Unemployment Compensation		5,222	
Employer Medicare		9,125	
Laundry Service		5,767	
Workers' Compensation Insurance		37,662	
Total Employee Benefits			219,101

Capital Outlay

Engineering Services	\$	34,770	
Bridge Construction		111,714	
Highway Equipment		23,263	
Motor Vehicles		33,705	
Office Equipment		4,161	
State Aid Projects		458,848	
Total Capital Outlay			666,461

Principal on Debt

Highways and Streets

Principal on Notes	\$	56,809	
Total Highways and Streets			56,809

Interest on Debt

Highways and Streets

Interest on Notes	\$	7,221	
Total Highways and Streets			7,221

Total Highway/Public Works Fund \$ 2,300,759

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>General Government</u>			
Principal on Bonds	\$	127,833	
Principal on Notes		301,624	
Principal on Other Loans		195,000	
Total General Government			\$ 624,457
<u>Education</u>			
Principal on Notes	\$	68,056	
Principal on Capital Leases		37,095	
Principal on Other Loans		436,000	
Total Education			541,151
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Bonds	\$	226,618	
Interest on Notes		55,489	
Interest on Other Loans		39,949	
Total General Government			322,056
<u>Education</u>			
Interest on Notes	\$	6,321	
Interest on Capital Leases		624	
Interest on Other Loans		145,567	
Total Education			152,512
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	8,244	
Total General Government			8,244
Total General Debt Service Fund			\$ 1,648,420
<u>Education Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	530,738	
Total Education Capital Projects			\$ 530,738
Total Education Capital Projects Fund			530,738
<u>Other Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Other Construction	\$	6,762	
Total Public Health and Welfare Projects			\$ 6,762
Total Other Capital Projects Fund			6,762
Total Governmental Funds - Primary Government			<u>\$ 9,781,839</u>

Exhibit J-8

Houston County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Houston County School Department
For the Year Ended June 30, 2018

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,342,084	
Career Ladder Program	19,700	
Homebound Teachers	750	
Educational Assistants	131,588	
Other Salaries and Wages	100,710	
Non-certified Substitute Teachers	53,895	
Social Security	211,885	
Pensions	304,097	
Life Insurance	4,559	
Medical Insurance	310,206	
Employer Medicare	49,554	
Other Contracted Services	39,549	
Instructional Supplies and Materials	51,190	
Textbooks - Bound	109,346	
Other Supplies and Materials	5,482	
Other Charges	507	
Regular Instruction Equipment	38,905	
Total Regular Instruction Program		\$ 4,774,007

Special Education Program

Teachers	\$ 346,663	
Career Ladder Program	1,000	
Homebound Teachers	700	
Educational Assistants	79,389	
Non-certified Substitute Teachers	11,430	
Social Security	24,536	
Pensions	29,467	
Medical Insurance	62,095	
Employer Medicare	5,738	
Instructional Supplies and Materials	157	
Other Supplies and Materials	1,488	
Other Charges	462	
Special Education Equipment	757	
Total Special Education Program		563,882

Career and Technical Education Program

Teachers	\$ 208,233	
Non-certified Substitute Teachers	1,610	
Social Security	10,951	
Pensions	18,857	
Medical Insurance	35,658	
Employer Medicare	2,561	
Instructional Supplies and Materials	626	
Other Supplies and Materials	20,145	
Total Career and Technical Education Program		298,641

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	18,666	
Social Security		1,081	
Pensions		1,695	
Medical Insurance		1,585	
Employer Medicare		253	
In Service/Staff Development		1,364	
Total Attendance			\$ 24,644

Health Services

Supervisor/Director	\$	43,427	
Medical Personnel		16,234	
Other Salaries and Wages		2,280	
Social Security		3,851	
Employer Medicare		901	
Travel		3,089	
Drugs and Medical Supplies		500	
Other Supplies and Materials		37,019	
Total Health Services			107,301

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		155,163	
School Resource Officer		14,500	
Social Security		8,838	
Pensions		14,180	
Medical Insurance		12,475	
Employer Medicare		2,067	
Evaluation and Testing		4,320	
Total Other Student Support			212,543

Regular Instruction Program

Supervisor/Director	\$	180,801	
Career Ladder Program		4,000	
Librarians		179,766	
Social Security		21,422	
Pensions		29,047	
Medical Insurance		29,473	
Employer Medicare		5,010	
Travel		839	
Library Books/Media		7,000	
Other Supplies and Materials		490	
In Service/Staff Development		10,333	
Total Regular Instruction Program			468,181

Alternative Instruction Program

Supervisor/Director	\$	49,581	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Alternative Instruction Program (Cont.)

Career Ladder Program	\$	1,000	
Social Security		2,635	
Pensions		4,593	
Medical Insurance		7,762	
Employer Medicare		616	
Maintenance and Repair Services - Equipment		652	
Other Supplies and Materials		64	
Total Alternative Instruction Program			\$ 66,903

Special Education Program

Supervisor/Director	\$	40,073	
Career Ladder Program		1,000	
Psychological Personnel		60,871	
Social Security		5,863	
Pensions		9,464	
Medical Insurance		9,062	
Employer Medicare		1,371	
Travel		1,415	
Other Contracted Services		32,491	
Other Supplies and Materials		279	
In Service/Staff Development		1,882	
Other Equipment		584	
Total Special Education Program			164,355

Technology

Supervisor/Director	\$	63,697	
Instructional Computer Personnel		55,075	
Social Security		6,584	
Pensions		5,784	
Medical Insurance		15,114	
Employer Medicare		1,540	
Internet Connectivity		32,420	
Travel		68	
Other Contracted Services		7,424	
Other Equipment		13,034	
Total Technology			200,740

Other Programs

On-behalf Payments to OPEB	\$	33,961	
Total Other Programs			33,961

Board of Education

Board and Committee Members Fees	\$	4,925	
Social Security		304	
Unemployment Compensation		9,062	
Employer Medicare		71	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Audit Services	\$	3,500	
Dues and Memberships		4,934	
Legal Services		39,718	
Other Contracted Services		5,439	
Liability Insurance		157,216	
Trustee's Commission		38,667	
Workers' Compensation Insurance		105,444	
In Service/Staff Development		2,521	
Criminal Investigation of Applicants - TBI		2,587	
Other Charges		11,120	
Total Board of Education			\$ 385,508

Director of Schools

County Official/Administrative Officer	\$	91,773	
Assistant(s)		3,733	
Career Ladder Program		1,000	
Secretary(ies)		32,960	
Clerical Personnel		31,930	
Social Security		9,185	
Pensions		8,653	
Medical Insurance		20,617	
Employer Medicare		2,148	
Communication		7,537	
Dues and Memberships		1,938	
Postal Charges		2,237	
In Service/Staff Development		3,912	
Other Charges		342	
Total Director of Schools			217,965

Office of the Principal

Principals	\$	279,139	
Career Ladder Program		2,000	
Assistant Principals		74,038	
Secretary(ies)		97,440	
Clerical Personnel		58,280	
Social Security		29,548	
Pensions		32,250	
Medical Insurance		38,009	
Employer Medicare		6,910	
Communication		12,046	
Dues and Memberships		3,600	
Other Supplies and Materials		2,028	
In Service/Staff Development		1,635	
Other Charges		2,603	
Administration Equipment		4,556	
Total Office of the Principal			644,082

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	78,279	
Other Salaries and Wages		1,042	
Social Security		4,822	
Employer Medicare		1,128	
Other Contracted Services		19,035	
Data Processing Supplies		1,060	
Office Supplies		5,988	
In Service/Staff Development		1,997	
Total Fiscal Services			\$ 113,351

Operation of Plant

Guards	\$	27,989	
Custodial Personnel		182,472	
Other Salaries and Wages		47,526	
Social Security		15,549	
Medical Insurance		28,118	
Employer Medicare		3,636	
Rentals		12,000	
Disposal Fees		7,658	
Other Contracted Services		8,617	
Custodial Supplies		26,363	
Electricity		336,241	
Natural Gas		50,488	
Water and Sewer		62,588	
Other Supplies and Materials		56	
Boiler Insurance		4,351	
Plant Operation Equipment		8,728	
Total Operation of Plant			822,380

Maintenance of Plant

Maintenance Personnel	\$	97,105	
Social Security		5,930	
Medical Insurance		11,038	
Employer Medicare		1,387	
Maintenance and Repair Services - Buildings		26,079	
Maintenance and Repair Services - Equipment		22,319	
Other Contracted Services		55,000	
Other Supplies and Materials		6,277	
Total Maintenance of Plant			225,135

Transportation

Supervisor/Director	\$	42,230	
Mechanic(s)		73,130	
Bus Drivers		152,755	
Other Salaries and Wages		40,207	
Social Security		17,874	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Medical Insurance	\$	23,402	
Employer Medicare		4,180	
Communication		2,205	
Maintenance and Repair Services - Vehicles		42,447	
Medical and Dental Services		2,245	
Rentals		3,250	
Other Contracted Services		2,269	
Garage Supplies		8,634	
Gasoline		66,700	
Lubricants		2,437	
Tires and Tubes		12,837	
Vehicle Parts		50,040	
Other Supplies and Materials		3,931	
In Service/Staff Development		1,953	
Other Charges		572	
Transportation Equipment		10,000	
Total Transportation			\$ 563,298

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	31,930	
Other Salaries and Wages		1,995	
Social Security		2,084	
Employer Medicare		488	
Total Food Service			36,497

Community Services

Supervisor/Director	\$	19,570	
Other Salaries and Wages		5,924	
Social Security		1,545	
Employer Medicare		361	
Travel		749	
Other Supplies and Materials		1,294	
Total Community Services			29,443

Early Childhood Education

Supervisor/Director	\$	36,990	
Teachers		134,679	
Educational Assistants		63,830	
Other Salaries and Wages		16,793	
Non-certified Substitute Teachers		2,035	
Social Security		15,311	
Pensions		15,557	
Medical Insurance		8,744	
Employer Medicare		3,581	
Travel		250	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Instructional Supplies and Materials	\$	4,518	
Other Supplies and Materials		4,897	
In Service/Staff Development		2,237	
Other Charges		684	
Other Equipment		1,938	
Total Early Childhood Education			\$ 312,044

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	84,000	
Building Improvements		597,333	
Total Regular Capital Outlay			681,333

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	512,096	
Total Education			512,096

Total General Purpose School Fund \$ 11,458,290

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	207,477	
Educational Assistants		94,044	
Non-certified Substitute Teachers		3,335	
Social Security		17,995	
Pensions		18,839	
Medical Insurance		34,648	
Employer Medicare		4,209	
Other Contracted Services		18,612	
Instructional Supplies and Materials		7,312	
Other Supplies and Materials		663	
Regular Instruction Equipment		12,461	
Total Regular Instruction Program			\$ 419,595

Special Education Program

Teachers	\$	82,656	
Educational Assistants		106,174	
Speech Pathologist		66,404	
Non-certified Substitute Teachers		3,975	
Social Security		15,573	
Pensions		14,237	
Medical Insurance		18,151	
Employer Medicare		3,642	
Contracts with Private Agencies		41,500	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$ 29,512	
Other Supplies and Materials	3,804	
Total Special Education Program		\$ 385,628

Career and Technical Education Program

Instructional Supplies and Materials	\$ 1,598	
Vocational Instruction Equipment	26,451	
Total Career and Technical Education Program		28,049

Support Services

Other Student Support

Travel	\$ 3,001	
In Service/Staff Development	1,474	
Total Other Student Support		4,475

Regular Instruction Program

Other Salaries and Wages	\$ 5,168	
Social Security	320	
Pensions	469	
Employer Medicare	75	
Other Contracted Services	23,575	
Other Supplies and Materials	344	
In Service/Staff Development	19,525	
Total Regular Instruction Program		49,476

Special Education Program

Other Contracted Services	\$ 11,961	
Other Supplies and Materials	682	
In Service/Staff Development	4,070	
Other Equipment	1,196	
Total Special Education Program		17,909

Career and Technical Education Program

In Service/Staff Development	\$ 1,100	
Total Career and Technical Education Program		1,100

Total School Federal Projects Fund \$ 906,232

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$ 271,399
Social Security	16,447
Medical Insurance	22,211
Employer Medicare	3,847
Communication	2,205

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Maintenance and Repair Services - Equipment	\$	18,158	
Travel		3,093	
Other Contracted Services		5,640	
Food Supplies		335,323	
USDA - Commodities		61,021	
Other Supplies and Materials		37,292	
In Service/Staff Development		3,258	
Other Charges		15,269	
Food Service Equipment		4,143	
Total Food Service			\$ 799,306

Total Central Cafeteria Fund \$ 799,306

Total Governmental Funds - Houston County School Department \$ 13,163,828

Exhibit J-9

Houston County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2018

	<u>Cities - Sales Tax Fund</u>
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 512,988
Total Cash Receipts	<u>\$ 512,988</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 507,858
Trustee's Commission	5,130
Total Cash Disbursements	<u>\$ 512,988</u>
Excess of Cash Receipts Over (Under)	
Cash Disbursements	\$ 0
Cash Balance, July 1, 2017	<u>0</u>
Cash Balance, June 30, 2018	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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, 2018, 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 8, 2019. Our report on the business-type activities and the Houston County Community Hospital major enterprise fund was adverse due to not including the financial statements of the Houston County Community Hospital, which had not been made available by other auditors as of the date of this report.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2018-001

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2018-007(B,C) and 2018-008.

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: 2018-002, 2018-003, 2018-004, 2018-005, 2018-006, and 2018-007(A).

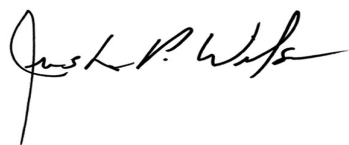
Houston County's Responses to the Findings

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

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 8, 2019

JPW/tg



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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 the Uniform Guidance

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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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.

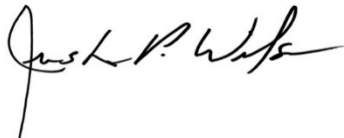
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the

requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2018, and the related notes to the financial statements, which collectively comprise Houston County's basic financial statements. We issued our report thereon dated February 8, 2019. Our report on the business-type activities and the Houston County Community Hospital major enterprise fund financial statements was adverse due to not including the financial statements of the Houston County Community Hospital, which had not been made available by other auditors as of the date of this report. Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance 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.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 8, 2019

JPW/tg

Houston County, Tennessee, and the Houston County School Department
 Schedule of Expenditures of Federal Awards and State Grants (1) (2)
 For the Year Ended June 30, 2018

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: (3)			
School Breakfast Program	10.553	N/A	\$ 143,536
National School Lunch Program	10.555	N/A	344,736 (6)
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	30,000
Passed-through State Department of Agriculture:			
Child Nutrition Cluster: (3)			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	61,021 (6)
Total U.S. Department of Agriculture			<u>\$ 579,293</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program (Noncash Assistance)			
	12.U01	N/A	\$ 172,845 (7)
Total U.S. Department of Defense			<u>\$ 172,845</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	33004-56517	\$ 18,953
Total U.S. Department of Housing and Urban Development			<u>\$ 18,953</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States			
	16.540	31601-23614	\$ 45
Total U.S. Department of Justice			<u>\$ 45</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements			
	20.607	(4)	\$ 5,404
Total U.S. Department of Transportation			<u>\$ 5,404</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States			
	45.310	30501-00118-50	\$ 523
Total U.S. Institute of Museum and Library Services			<u>\$ 523</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies			
Special Education Cluster: (3)	84.010	N/A	\$ 375,265
Special Education - Grants to States	84.027	N/A	459,844
Special Education - Preschool Grants	84.173	N/A	23,954
Career and Technical Education - Basic Grants to States	84.048	N/A	33,624
Rural Education	84.358	N/A	28,421
Improving Teacher Quality State Grants	84.367	N/A	65,385
Total U.S. Department of Education			<u>\$ 986,493</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	FEMA-1909-DR-TN	\$ 136,634
Assistance to Firefighters Grant	97.044	EMW-2016-FO-00526	129,170
Homeland Security Grant Program	97.067	34101-14718	1,226
Total U.S. Department of Homeland Security			<u>\$ 267,030</u>
Total Expenditures of Federal Awards			<u>\$ 2,030,586</u>

(Continued)

Houston County, Tennessee, and the Houston County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
ConnecTenn Grant - State Department of Education	N/A	(5)	\$ 3,462
Early Childhood Education - State Department of Education	N/A	(5)	312,043
Coordinated School Health - State Department of Education	N/A	(5)	88,845
Family Resource Center - State Department of Education	N/A	(5)	29,443
Safe Schools - State Department of Education	N/A	(5)	8,570
ACT/EXP - State Department of Education	N/A	(5)	29,938
Juvenile Justice and Delinquency Prevention - State Commission on Children and Youth	N/A	DG-08-21208-00	9,000
Courtroom Security Grant - Administrative Office of the Courts	N/A	(5)	22,189
Airport Maintenance Program - State Department of Transportation	N/A	40100-00118	2,837
Work Based Learning Grant - State Department of Economic and Community Development	N/A	(5)	20,145
Local Park and Recreation Fund (LPRF) Grant - State Department of Economic and Community Development	N/A	32701-03159	76,155
Tourism Enhancement Grant - State Department of Economic and Community Development	N/A	33007-22417	50,000
Three Star Economic Development Grant - State Department of Economic and Community Development	N/A	33007-48917	24,999
Select Tennessee Property Evaluation Program - State Department of Economic and Community Development	N/A	(5)	20,000
Litter Grant - State Department of Transportation	N/A	40100-00718	37,180
Disaster Grant - Public Assistance (Presidentially Declared Disasters) - State Department of Military	N/A	FEMA-1909-DR-TN	67,293
Total State Grants			<u>\$ 802,099</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) Houston County elected not to use the 10% de minimis cost rate permitted in the Uniform Guidance.
- (3) Child Nutrition Cluster total \$549,293; Special Education Cluster total \$483,798.
- (4) Z-17-THS194: \$3,321; Z-18-THS147: \$2,083.
- (5) Information not available.
- (6) Total for CFDA No. 10.555 is \$405,757.
- (7) During the year ended June 30, 2018, Houston County received excess military equipment from the U.S. Department of Defense valued at \$172,845.

Houston County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2018

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or not. Presented below are financial statement findings along with their current status from the Annual Financial Report for Houston County, Tennessee, for the year ended June 30, 2018.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
<u>OFFICE OF COUNTY MAYOR</u>					
2017	186	2017-001	General Fund Appropriations Exceeded Estimated Available Funding	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	187	2017-002	The Office did not File Reports on Debt Obligation with the State Comptroller's Office in a Timely Manner	N/A	Not Corrected - See Explanation on Corrective Action Plan
2017	187	2017-003	The Office had Deficiencies in Computer System Backup Procedures	N/A	Corrected
<u>OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK</u>					
2017	188	2017-004	The General Sessions and Juvenile Courts Execution Docket Trial Balances did not Reconcile with Cash Journal Accounts	N/A	Not Corrected - See Explanation on Corrective Action Plan
<u>OFFICE OF SHERIFF</u>					
2017	189	2017-005	An Investigation of the Sheriff's Office Disclosed Deficiencies in the Maintenance of Property and Evidence Records	N/A	Corrected
<u>AMBULANCE SERVICE AND OFFICES OF DIRECTOR OF SCHOOLS, COUNTY CLERK, AND REGISTER OF DEEDS</u>					
2017	189	2017-006	Duties were not Segregated Adequately	N/A	Director of Schools: Corrected Other Offices: Not Corrected - See Explanation on Corrective Action Plan

Prior-year Federal Awards Findings

There were no prior-year federal award findings to report.

HOUSTON COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the business-type activities and the Houston County Community Hospital Fund major enterprise fund is adverse. Our report on the governmental activities, the aggregate discretely presented component units, each major fund (except for the Houston County Community Hospital Fund), and the aggregate remaining fund information is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **YES**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **YES**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs. **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
 - * CFDA Numbers: 10.553 and 10.555 Child Nutrition Cluster: School Breakfast Program and National School Lunch Program
 - * CFDA Number 84.010 Title I Grants to Local Educational Agencies
8. Dollar threshold used to distinguish between Type A and Type B Programs. **\$750,000**
9. Auditee qualified as low-risk auditee? **NO**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF COUNTY MAYOR

FINDING 2018-001

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

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

At June 30, 2018, certain general ledger account balances in the General and General Debt Service funds were not materially correct, and audit adjustments totaling \$280,963 and \$53,007, respectively, were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Houston County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – GEORGE CLARK, FORMER COUNTY MAYOR

I agree with the finding.

FINDING 2018-002

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(Noncompliance Under *Government Auditing Standards*)

Our examination revealed numerous deficiencies in budget operations of the office. These deficiencies exist because management failed to hold spending to the limits authorized by the county commission, which resulted in unauthorized expenditures, and management failed to provide sufficient oversight. Part A. of this finding also exists because management failed to correct the finding noted in the prior-year audit report.

- A. The budget and subsequent amendments approved by the county commission for the General Fund resulted in appropriations exceeding estimated available funding by \$157,859. Sound budgetary principles dictate that appropriations be held within estimated available funding.
- B. Expenditures exceeded appropriations approved by the county commission in four of 63 major appropriation categories (the legal level of control) in the General Fund as reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General Government - County Commission	\$ 57,001
Administration of Justice - Chancery Court	2,620
Public Safety - Rescue Squad	6,438
Capital Projects - Public Safety Projects	2,608

- C. Salaries exceeded appropriations in two of 88 salary line-items of the General Fund by \$751 and \$998. The budget resolution approved by the county commission states that the salary, wages, or enumeration of each official, employee, or agent of the county shall not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the county commission.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the county commission, and the county commission should not approve such appropriations. Expenditures should be held within appropriations approved by the county commission.

MANAGEMENT'S RESPONSE – GEORGE CLARK, FORMER COUNTY MAYOR

I agree with the finding.

FINDING 2018-003

THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE IN A TIMELY MANNER

(Noncompliance Under *Government Auditing Standards*)

The office did not file a Report on Debt Obligation with the state Comptroller's Office for a loan in a timely manner. On April 26, 2018, the county entered into a \$530,739 Energy Efficient Schools Initiative loan agreement; however, the office did not file a Report on Debt Obligation until July 5, 2018, when it was brought to their attention during the audit. Section 9-21-151, *Tennessee Code Annotated*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt was issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency was the result of a lack of management oversight. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report and the failure to implement their corrective action plan.

RECOMMENDATION

The office should file a Report on Debt Obligation with the state Comptroller's Office for each debt issuance within 45 days following the issuance of the debt as required by state statute.

MANAGEMENT'S RESPONSE – GEORGE CLARK, FORMER COUNTY MAYOR

I agree with the finding.

OFFICE OF ROAD SUPERINTENDENT

FINDING 2018-004

HIGHWAY/PUBLIC WORKS FUND APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING

(Material Noncompliance Under *Government Auditing Standards*)

The budget and subsequent amendments approved by the county commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$209,800. Sound budgetary principles dictate that appropriations be held within estimated available funding. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – ROAD SUPERINTENDENT

We agree with the finding and will watch the budget going forward to make sure we do not exceed our budgeted fund balance.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2018-005

A LEASE-PURCHASE AGREEMENT WAS NOT ISSUED IN COMPLIANCE WITH STATE STATUTES (Noncompliance Under *Government Auditing Standards*)

On May 18, 2017, the School Department entered into a four-year lease-purchase agreement for two buses totaling \$172,952. This agreement was signed by the director of schools instead of the county mayor and was not approved by the county commission. In addition, a Report on Debt Obligation was not filed with the state Comptroller's Office for this lease-purchase agreement. Section 7-51-904, *Tennessee Code Annotated (TCA)*, requires lease-purchase agreements to be approved by the county commission prior to the agreement being finalized. Section 9-21-151, *TCA*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency is the result of a lack of management oversight and a failure to follow state statutes.

RECOMMENDATION

Lease-purchase agreements should be approved by the county commission prior to the agreement being finalized. After the approval of the county commission, the county mayor should enter into all debt obligations for the county. A Report on Debt Obligation should be filed with the state Comptroller's Office for each debt issuance within the required time period.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

We agree with the finding. We were not aware of this requirement. This lease-purchase agreement was approved by the board of education, but we did not seek approval from the county commission. Going forward, we will make sure to have county commission approval on all lease agreements. We will also work with the County Mayor's Office to ensure a Report on Debt Obligation is filed for any debt issuances.

OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK

FINDING 2018-006

**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, 2018, 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 \$10,889 in General Sessions and Juvenile Courts, which included \$2,611 carried forward from a former clerk who left office August 31, 2006, and \$8,278 from the previous clerk who left office on May 31, 2017. 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 and the failure to implement their corrective action plan.

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.

MANAGEMENT’S RESPONSE – GENERAL SESSIONS AND JUVENILE COURTS

We agree with the finding.

OFFICE OF SHERIFF

FINDING 2018-007

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

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

- A. The annual financial report was not filed with the county clerk and county mayor until January 2019. Section 5-8-505, *Tennessee Code Annotated*, states, “All appointive or elective county public officials, official county boards, committees and commissions in the state having in their charge and custody

public funds or moneys are required to file with the county mayor and with the county clerk, who shall provide a copy of this report to each member of the county legislative body on or before the next meeting of the county legislative body an annual financial report for the year ended June 30, in a form prescribed by the comptroller of the treasury.” The next meeting of the county commission after June 30, 2018 was July 16, 2018.

- B. The annual financial report did not properly reflect the operations of the office. Receipts and disbursements for operations were understated on the annual financial report by \$8,842 and \$2,488, respectively. Additionally, ending balances on the annual financial report were not correct and did not agree with the cash journal or reconciled bank statements. These amounts were determined by substantive testing and alternative auditing procedures and have been properly included in the financial statements in this report.
- C. The cash journal was not properly maintained and contained numerous errors. Columns were not always totaled, and ending balances were not always carried forward accurately. Some checks written only contained an entry to Cash in Bank with no record of what ledger account was used. In addition, the activity of the inmate commissary account had been recorded in the cash journal; however, the commissary bank balance did not agree with the balance provided by the commissary software subsidiary ledger or with the reconciled bank statement for the commissary account. The official cash journal is the primary cash control record of the office that summarizes financial operations; therefore, the proper maintenance of the cash journal on a current basis is necessary for the official to determine the financial position of the office. The failure to properly maintain accounting records also increases the risks of fraud and abuse.

RECOMMENDATION

The annual financial report should be filed with the county clerk and county mayor in a timely manner as required by state statute and should accurately reflect all operations of the Sheriff's Department. An official cash journal should be properly maintained on a current basis and should reflect all financial operations of the Sheriff's Department. The commissary bank account should be reconciled with the cash journal and subsidiary account records.

MANAGEMENT'S RESPONSE – SHERIFF

We agree with this finding and are working to correct it.

AMBULANCE SERVICE AND OFFICES OF COUNTY CLERK AND REGISTER OF DEEDS

FINDING 2018-008

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the officials and employees at the Ambulance Service and in the Offices of County Clerk and Register of Deeds. Officials and employees responsible for maintaining 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.

MANAGEMENT'S RESPONSE – GEORGE CLARK, FORMER COUNTY MAYOR

I agree with the finding.

MANAGEMENT'S RESPONSE – COUNTY CLERK

I concur with the audit finding. I do not have the funds available in my budget to hire additional employees.

MANAGEMENT'S RESPONSE – REGISTER OF DEEDS

We agree with the finding.

AUDITOR'S COMMENT

The Comptroller's Office and the County Technical Assistance Service have provided guidelines to assist officials in properly segregating duties. These guidelines include suggestions for small offices with as few as two employees. We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, duties should be segregated to the extent possible.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.

Houston County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2018

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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OFFICE OF COUNTY MAYOR

2018-001	The General and General Debt Service Funds Required Material Audit Adjustments for Proper Financial Statement Presentation	188
2018-002	The Office had Deficiencies in Budget Operations	189
2018-003	The Office did not File a Report on Debt Obligation with the State Comptroller's Office in a Timely Manner	190

OFFICE OF ROAD SUPERINTENDENT

2018-004	Highway/Public Works Fund Appropriations Exceeded Estimated Available Funding	192
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OFFICE OF DIRECTOR OF SCHOOLS

2018-005	A Lease-Purchase Agreement was not Issued in Compliance with State Statutes	193
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OFFICE OF GENERAL SESSIONS AND JUVENILE COURTS CLERK

2018-006	The General Sessions and Juvenile Courts Execution Docket Trial Balances did not Reconcile with Cash Journal Accounts	194
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OFFICE OF SHERIFF

2018-007	The Office had Accounting Deficiencies	195
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AMBULANCE SERVICE AND OFFICES OF COUNTY CLERK AND REGISTER OF DEEDS

2018-008	Duties were not Segregated Adequately - Ambulance Service	191
2018-008	Duties were not Segregated Adequately - County Clerk	196
2018-008	Duties were not Segregated Adequately - Register of Deeds	197



JAMES BRIDGES
County Mayor
Houston County, Tennessee

hcmayor@peoplestel.net
Phone: 931-289-3633
Fax: 931-289-2799

Corrective Action Plan

FINDING: THE GENERAL AND GENERAL DEBT SERVICE FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION

Response and Corrective Action Plan Prepared by:
Vena Fredericks, Executive Assistant to the Mayor

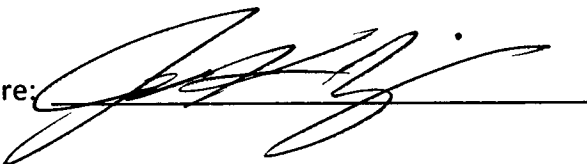
Person Responsible for Implementing the Corrective Action:
James Bridges, County Mayor

Anticipated Completion Date of Corrective Action:
July 1, 2019

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
Both General and General Debt Service funds will be monitored throughout the fiscal year to ensure our general ledgers are materially correct, to include accounts receivables.

Signature: 

Date: 1/29/19



JAMES BRIDGES
County Mayor
Houston County, Tennessee

Houston County Courthouse
P.O. Box 366 Erin, Tennessee 37061

hcmayor@peoplestel.net
Phone: 931-289-3633
Fax: 931-289-2799

Corrective Action Plan

FINDING: THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

Response and Corrective Action Plan Prepared by:

Vena Fredericks, Executive Assistant to the Mayor

Person Responsible for Implementing the Corrective Action:

James Bridges, County Mayor and Budget Committee Chairman

Anticipated Completion Date of Corrective Action:

July 1, 2019

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

New administration took office 9/1/18 and was unaware of these deficiencies.

Planned Corrective Action:

Expenditures will be monitored to ensure they do not exceed appropriated amounts. Appropriations that exceed estimated funding will not be submitted to the County Commission unless additional revenue is also available.

Signature: 

Date: 1/29/19



JAMES BRIDGES

*County Mayor
Houston County, Tennessee*

hcmayor@peoplestel.net

Phone: 931-289-3633

Fax: 931-289-2799

Corrective Action Plan

FINDING: THE OFFICE DID NOT FILE A REPORT ON DEBT OBLIGATION WITH THE STATE COMPTROLLER'S OFFICE IN A TIMELY MANNER

Response and Corrective Action Plan Prepared by:

Vena Fredericks, Executive Assistant to the Mayor

Person Responsible for Implementing the Corrective Action:

James Bridges, County Mayor

Anticipated Completion Date of Corrective Action:

February 1, 2019

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

New administration took office 9/1/18 and was unaware of these deficiencies.

Planned Corrective Action:

A Report on Debt Obligation will be filed for each debt issuance within 45 days following the issuance of the debt.

Signature: _____

Date: _____



JAMES BRIDGES
County Mayor
Houston County, Tennessee

hcmayor@peoplestel.net
Phone: 931-289-3633
Fax: 931-289-2799

Corrective Action Plan

**FINDING: DUTIES WERE NOT SEGREGATED ADEQUATELY AT THE
AMBULANCE SERVICE**

Response and Corrective Action Plan Prepared by:
Stephen Graybill, Ambulance Director

Person Responsible for Implementing the Corrective Action:
Stephen Graybill, Ambulance Director

Anticipated Completion Date of Corrective Action:

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
Director was hoping for funding for administrative help that was not available.

Planned Corrective Action:
One person will go and get the mail, the other person will open the mail, then both people will receipt and record the documents received in the mail, in addition to any documents brought by FedEx and UPS as well as customers that come in to the office. One of us will add the checks for deposits and run the reports of the deposit and collection register and the other one will take it to trustee.

Signature: 

Date: 29 Jan 19



**Houston County
Highway Department**

3340 Highway 149
Erin, Tennessee 37061

Office: 931-289-4151
Fax: 931-289-5185

January 28, 2019

CORRECTIVE ACTION PLAN

FINDING

**HIGHWAY/PUBLIC WORKS FUND
APPROPRIATIONS EXCEEDED ESTIMATED
AVAILABLE FUNDING**

Response and Corrective Action Plan Prepared by:
George Dew, Road Supervisor

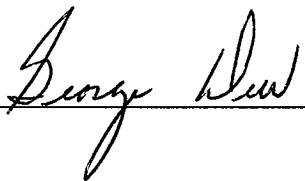
Person Responsible for Implementing the Corrective Action:
George Dew, Road Supervisor

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
We will monitor the budget closely going forward to make sure our budget amendments that reduce fund balance do not exceed the budgeted estimated beginning fund balance.

Signature: 

P.O. Box 209
Erin, Tennessee 37061
Telephone: (931) 289-4148
Fax: (931) 289-5543

Houston County
BOARD OF EDUCATION



KRIS McASKILL, Director
JEFF MATHIS, Board Chairman

January 30, 2019

CORRECTIVE ACTION PLAN

FINDING

**A LEASE-PURCHASE AGREEMENT WAS NOT
ISSUED IN COMPLIANCE WITH STATE
STATUTES**

Response and Corrective Action Plan Prepared by:
Kris McAskill, Director of Schools

Person Responsible for Implementing the Corrective Action:
Kris McAskill, Director of Schools

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
Going forward, we will make sure to have County Commission approval on all lease-purchase agreements. We will also work with the County Mayor's office as needed to ensure that a Report on Debt Obligation is filed for any debt issuances including capital leases.

Signature:

Kris McAskill, Director of Schools



Houston County
CIRCUIT, GENERAL SESSIONS
& JUVENILE COURTS

P.O. Box 414 • Erin, Tennessee 37061 • Telephone: (931) 289-4673

Corrective Action Plan

FINDING: THE GENERAL SESSIONS AND JUVENILE COURTS EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH CASH JOURNAL ACCOUNTS

Response and Corrective Action Plan Prepared by:
Donna S. Vincent, Circuit, General Sessions & Juvenile Courts Clerk

Person Responsible for Implementing the Corrective Action:
Donna S. Vincent, Circuit, General Sessions & Juvenile Courts Clerk

Anticipated Completion Date of Corrective Action:
June 30, 2019

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
Being a fairly new clerk and learning the day to day operations of this office have not allowed me the time to investigate properly.

Planned Corrective Action:
I will review each transaction for each individual case to properly distribute the funds per the court order. However, in the matter of the pending cases, those funds cannot be distributed until the final disposition of the cases in question are rendered.

Signature: Donna S. Vincent



Houston County SHERIFF'S OFFICE

3330 Highway 149
Erin, Tennessee 37061

KEVIN L. SUGG, Sheriff

(931) 289-4614 Fax: (931) 289-5579

January 23, 2019

CORRECTIVE ACTION PLAN

FINDING

THE OFFICE HAD ACCOUNTING DEFICIENCIES

Response and Corrective Action Plan Prepared by:

Kevin Sugg, Sheriff

Person Responsible for Implementing the Corrective Action:

Kevin Sugg, Sheriff

Anticipated Completion Date of Corrective Action:

June 30, 2019

Repeat Finding:

No

Reason Corrective Action was Not Taken in the Prior Year:

N/A

Planned Corrective Action:

The Annual Financial Report will be filed before the first county commission meeting after June 30 and will accurately reflect the operations of this office. The cash journal will be properly maintained going forward to ensure the accuracy of our financial records.

Signature: Kevin L. Sugg

Robert R. Brown

Houston County Clerk

P.O. Box 388
Erin, Tennessee 37061

Telephone
931-289-3141/931-289-4165

Fax
931-289-2603

Corrective Action Plan

FINDING: DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICE OF COUNTY CLERK

Response and Corrective Action Plan Prepared by:

Robert R. Brown, County Clerk

Person Responsible for Implementing the Corrective Action:

Robert R. Brown, County Clerk

Anticipated Completion Date of Corrective Action:

Not in the near future

Repeat Finding:

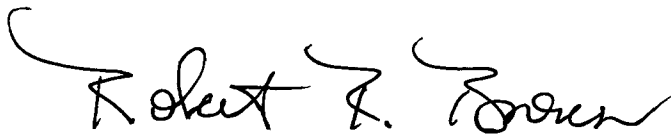
Yes

Reason Corrective Action was not Taken in the Prior Year:

Funding is not available to hire enough additional employees to correct finding. There are two employees, one full-time and one part-time.

Planned Corrective Action:

No plans due to lack of funds for hiring additional employees and present personnel schedules.



Robert R. Brown



Sherrill H. Moore
Register of Deeds

Houston County Courthouse
P.O. Box 412
Erin, Tennessee 37061

Phone: (931) 289-3510

Corrective Action Plan

**Finding: DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE
OFFICE OF REGISTER OF DEEDS
(Internal Control – Control Deficiency Under Government Auditing Standards)**

**Response and Corrective Action Plan Prepared by:
Sherrill P. Moore, Register of Deeds**

Anticipated Completion Date of Correction Action:

At the present time I do not see a specific date in the future for additional help within the Register's Office. On the days there are 2 of us working we do implement the sharing of the duties.

Repeat Finding:

Yes

Reason Corrective Action was Not Taken in the Prior Year:

Limited Personnel.

Planned Corrective Action:

On the days that it is a two person office, one person goes to get the mail, the other person opens the mail, then both of us receipt and record the documents received in the mail, in addition to the documents brought by Fed Ex and UPS and customers that come in to record their documents. One of us adds the checks for deposits and runs the reports of the deposit and collection register and the other one takes it to the bank. I only have a part time employee at this time but I am planning to teach her to log in the receipts in the cash journal and reconcile the monthly bank statements after she learns the duties associated with the recording part of the office.

Sherrill P. Moore - 1-29-19
Sherrill P. Moore, Register

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.