

**ANNUAL FINANCIAL REPORT  
OF  
SMITH COUNTY, TENNESSEE  
AND  
SMITH COUNTY SCHOOL DEPARTMENT**

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2006**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**SMITH COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# SMITH COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Smith County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Smith County as of and for the year ended June 30, 2006.

## ***Results***

Our report on Smith County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 17 findings and recommendations, which we have reviewed with Smith County management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **SMITH COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

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### **OFFICE OF COUNTY MAYOR**

- ◆ The office did not use the accrual basis of accounting for the Solid Waste Disposal Fund as required by generally accepted accounting principles.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ The Courthouse and Jail Maintenance Fund had a fund deficit of \$20,269 at June 30, 2006.
- ◆ Bond proceeds were improperly expended.
- ◆ The Ambulance Service had operating deficiencies. Duties were not segregated adequately among employees, patients' accounts receivable were not recorded in the fund, an allowance for uncollectible accounts was not calculated, and the Ambulance Service did not follow collection policies established by the County Commission.

## **OFFICE OF COUNTY MAYOR (CONT.)**

- ◆ County officials did not verify the accuracy of their inventory records, did not have inventory records on all offices, and did not have policies to ensure that newly acquired assets were added to the inventory or assets disposed were removed from the inventory.
  - ◆ The Smith County Public Library, a special revenue fund, was not audited.
  - ◆ The office did not file a Report on Debt Obligation with the state director of Local Finance for a capital lease as required by state statute.
- 

## **OFFICES OF COUNTY MAYOR AND SHERIFF**

- ◆ Some Sheriff Department employees did not adequately document hours worked and did not sign their time reports. Supervisors did not sign employee time reports as evidence of review and approval, and the department's personnel policy did not provide guidance concerning holiday pay.
- 

## **OFFICE OF ROAD COMMISSIONER**

- ◆ Purchase orders were not issued for some applicable purchases, and some purchase orders did not reflect the date of issuance. In some instances, invoices were paid without documentation that goods had been received and/or services had been received.
  - ◆ The road commissioner's list of county roads submitted to the County Commission did not include the required classification, width and distance of each road, and a summary of changes from the prior year.
- 

## **OFFICE OF SHERIFF**

- ◆ Commissary, drug control, and law enforcement training center funds were not posted to the cash journal. Bank statements for the commissary, drug control, and law enforcement training center funds were not reconciled with cash control records. Official prenumbered receipts were not issued for all collections, and funds were not always deposited within three days of collection as required by state statutes.
  - ◆ Tuition collected for gun permit classes was not properly receipted and disbursed.
  - ◆ The office did not maintain inventory records on evidence or seized property and did not adequately control access to the evidence and seized property.
- 

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Road Commissioner, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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## INTRODUCTORY SECTION

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Smith County Officials  
June 30, 2006

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**Officials**

Michael Nesbitt, County Mayor  
Ralph Coble, Road Commissioner  
Lee Ann Williams, Trustee  
Terry Collins, Assessor of Property  
Jimmy Norris, County Clerk  
Myra Hardcastle, Circuit and General Sessions Courts Clerk  
Dianna Dillehay, Clerk and Master  
Carol Gibbs, Register  
Johnny Bane, Sheriff

**Board of County Commissioners**

Michael Nesbitt, Chairman	
Richard Brimm	Larry Kilzer
Phillip Enoch	Kenneth Massey
Scott Fitzpatrick	Earl North
Jerry Futrell	C. D. Poindexter
Mack Gann	Leslie Proffitt
Cristy Geisenhoffer	Ted Russell
Frank Gibbs	Charles Slack
James Milton Gibbs, Jr.	Fred Smith
Billy Halliburton	Margaret Stevens
Vernon Hesson	James Winfree
Clint High	Billy Woodard
Royal Howard	Frank Woodard

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

December 12, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Smith County, Tennessee, as of and for the year ended June 30, 2006, as shown on pages 15 through 48, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Smith County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in

government-wide financial statements for the county's governmental activities, business-type activities, and discretely presented component units are not reasonably determinable.

As described in Note I, Smith County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Smith County, Tennessee, as of June 30, 2006, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

The financial statements of the Smith County Public Library, a nonmajor special revenue fund, were not audited and available for inclusion in this report. Accordingly, the aggregate remaining fund information of Smith County, Tennessee, referred to above does not include the financial statements of the Smith County Public Library, which should be included to conform with accounting principles generally accepted in the United States of America and the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee. The effects on the financial statements are not reasonably determinable.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Smith County, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2006, on our consideration of Smith County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 51 through 55 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain

limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Smith County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund and the Education Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund and the Education Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Smith County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2006

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern- mental Funds	
<b><u>ASSETS</u></b>						
Equity in Pooled Cash and Investments	\$ 720,340	\$ 188,217	\$ 746,616	\$ 1,505,194	\$ 556,569	\$ 3,716,936
Accounts Receivable	51,144	0	0	0	1,031,485	1,082,629
Allowance for Uncollectibles	0	0	0	0	(482,998)	(482,998)
Due from Other Governments	131,186	269,428	0	72,310	116,300	589,224
Due from Other Funds	3,534	1,163	0	0	0	4,697
Property Taxes Receivable	2,705,736	163,984	437,291	382,629	0	3,689,640
Allowance for Uncollectible Property Taxes	(106,686)	(6,466)	(17,242)	(15,087)	0	(145,481)
Total Assets	\$ 3,505,254	\$ 616,326	\$ 1,166,665	\$ 1,945,046	\$ 1,221,356	\$ 8,454,647
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b><u>Liabilities</u></b>						
Accounts Payable	\$ 80,009	\$ 0	\$ 0	\$ 0	\$ 43,100	\$ 123,109
Payroll Deductions Payable	6,829	0	0	0	2,241	9,070
Contracts Payable	0	0	0	0	132,231	132,231
Retainage Payable	0	0	0	0	10,604	10,604
Due to Other Funds	0	0	0	0	4,697	4,697
Other Current Liabilities	1	0	0	0	0	1
Deferred Revenue - Current Property Taxes	2,485,154	150,616	401,641	351,436	0	3,388,847
Deferred Revenue - Delinquent Property Taxes	97,406	5,903	15,742	13,774	0	132,825
Other Deferred Revenues	52,894	132,613	0	37,503	436,880	659,890
Total Liabilities	\$ 2,722,293	\$ 289,132	\$ 417,383	\$ 402,713	\$ 629,753	\$ 4,461,274
<b><u>Fund Balances</u></b>						
Reserved for Encumbrances	\$ 22,790	\$ 0	\$ 0	\$ 0	\$ 1,682,619	\$ 1,705,409
Reserved for Alcohol and Drug Treatment	33,230	0	0	0	0	33,230
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	173,720	173,720
Reserved for Courtroom Security	913	0	0	0	0	913
Reserved for Computer System - Register	8,465	0	0	0	0	8,465
Reserved for Automation Purposes - Circuit Court	982	0	0	0	0	982
Reserved for Automation Purposes - Chancery Court	3,599	0	0	0	0	3,599

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern- mental Funds	
Reserved for Automation Purposes - Sheriff	\$ 4,112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,112
Reserved for Capital Outlay	80,115	0	0	0	0	80,115
Unreserved, Reported In:						
General Fund	628,755	0	0	0	0	628,755
Special Revenue Funds	0	327,194	0	0	56,794	383,988
Debt Service Funds	0	0	749,282	1,542,333	0	2,291,615
Capital Projects Funds (Deficit)	0	0	0	0	(1,321,530)	(1,321,530)
Total Fund Balances	<u>\$ 782,961</u>	<u>\$ 327,194</u>	<u>\$ 749,282</u>	<u>\$ 1,542,333</u>	<u>\$ 591,603</u>	<u>\$ 3,993,373</u>
Total Liabilities and Fund Balances	<u>\$ 3,505,254</u>	<u>\$ 616,326</u>	<u>\$ 1,166,665</u>	<u>\$ 1,945,046</u>	<u>\$ 1,221,356</u>	<u>\$ 8,454,647</u>

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

Exhibit B

Smith County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2006

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Funds Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 3,449,245	\$ 213,108	\$ 429,562	\$ 1,654,335	\$ 100,350	\$ 5,846,600
Licenses and Permits	94,761	0	0	0	0	94,761
Fines, Forfeitures, and Penalties	54,294	0	0	0	14,594	68,888
Charges for Current Services	25,722	0	0	0	601,168	626,890
Other Local Revenues	277,227	76,849	4,800	0	20,404	379,280
Fees Received from County Officials	879,405	0	0	0	0	879,405
State of Tennessee	622,406	1,607,823	0	0	188,148	2,418,377
Federal Government	152,840	50,878	0	0	127,343	331,061
Other Governments and Citizens Groups	66,800	0	0	296,000	1,500	364,300
Total Revenues	\$ 5,622,700	\$ 1,948,658	\$ 434,362	\$ 1,950,335	\$ 1,053,507	\$ 11,009,562
<u>Expenditures</u>						
Current:						
General Government	\$ 747,829	\$ 0	\$ 0	\$ 0	\$ 35,990	\$ 783,819
Finance	462,663	0	0	0	0	462,663
Administration of Justice	400,104	0	0	0	0	400,104
Public Safety	3,084,465	0	0	0	3,273	3,087,738
Public Health and Welfare	84,367	0	0	0	1,046,390	1,130,757
Social, Cultural, and Recreational Services	151,450	0	0	0	0	151,450
Agricultural and Natural Resources	61,005	0	0	0	0	61,005
Other Operations	460,804	0	0	0	311,607	772,411
Highways	0	1,737,999	0	0	0	1,737,999
Debt Service:						
Principal on Debt	0	185,872	259,152	850,000	0	1,295,024
Interest on Debt	0	9,271	41,332	969,862	0	1,020,465
Other Debt Service	0	0	81,691	20,343	0	102,034
Capital Projects	0	0	0	0	201,746	201,746
Total Expenditures	\$ 5,452,687	\$ 1,933,142	\$ 382,175	\$ 1,840,205	\$ 1,599,006	\$ 11,207,215
Excess (Deficiency) of Revenues Over Expenditures	\$ 170,013	\$ 15,516	\$ 52,187	\$ 110,130	\$ (545,499)	\$ (197,653)

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Funds Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	443,605	\$ 443,605
Capital Leases Issued	225,441	0	0	0	0	225,441
Other Loans Issued	0	0	0	0	150,727	150,727
Transfers In	35,000	0	25,000	0	433,299	493,299
Transfers Out	(115,000)	(21,662)	0	0	(61,637)	(198,299)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 145,441</b>	<b>\$ (21,662)</b>	<b>\$ 25,000</b>	<b>\$ 0</b>	<b>\$ 965,994</b>	<b>\$ 1,114,773</b>
Net Change in Fund Balances	\$ 315,454	\$ (6,146)	\$ 77,187	\$ 110,130	\$ 420,495	\$ 917,120
Fund Balance, July 1, 2005	467,507	333,340	672,095	1,432,203	171,108	3,076,253
Fund Balance, June 30, 2006	\$ 782,961	\$ 327,194	\$ 749,282	\$ 1,542,333	\$ 591,603	\$ 3,993,373

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

Exhibit C-1

Smith County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 806,508
Accounts Receivable	159,793
Allowance for Uncollectibles	(14,120)
Due from Other Governments	1,378
Total Current Assets	<u>\$ 953,559</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 2,033,084
Landfill Facilities and Development	175,023
Machinery and Equipment	600,052
Construction in Progress	169,032
Total Noncurrent Assets	<u>\$ 2,977,191</u>
Total Assets	<u>\$ 3,930,750</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 10,429
Payroll Deductions Payable	758
Total Current Liabilities	<u>\$ 11,187</u>
Noncurrent Liabilities:	
Due Within One Year	\$ 194,844
Due in More Than One Year	3,166,678
Total Noncurrent Liabilities	<u>\$ 3,361,522</u>
Total Liabilities	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,163,035
Unrestricted	<u>(604,994)</u>
Total Net Assets	<u>\$ 558,041</u>

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

Exhibit C-2

Smith County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2006

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,046,574
Other Local Revenues	54,321
Total Operating Revenues	<u>\$ 1,100,895</u>
<u>Operating Expenses</u>	
Landfill Operation and Maintenance	\$ 871,915
Depreciation	263,454
Total Operating Expenses	<u>\$ 1,135,369</u>
Operating Income (Loss)	<u>\$ (34,474)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Grants	\$ 16,201
Gain on Sale of Capital Asset	40,786
Interest on Capital Lease	(495)
Interest on Notes	(48,216)
Total Nonoperating Expenses	<u>\$ 8,276</u>
Income (Loss) Before Operating Transfers	\$ (26,198)
Transfers Out	<u>(295,000)</u>
Change in Net Assets	\$ (321,198)
Net Assets, July 1, 2005	<u>879,239</u>
Net Assets, June 30, 2006	<u><u>\$ 558,041</u></u>

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

Exhibit C-3

Smith County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2006

	Business-type Activities
	Major Fund
	Solid Waste Disposal
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 1,536,951
Payments for Landfill Operations	(705,552)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 831,399</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Grants Received	\$ 16,201
Transfers Out	(295,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (278,799)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of Capital Assets	\$ (237,414)
Proceeds from Other Loan	1,441,100
Proceeds from Sale of Capital Assets	140,000
Principal Paid on Capital Outlay Note	(1,615,242)
Interest Paid on Capital Outlay Note	(48,216)
Principal Paid on Capital Lease	(33,697)
Interest Paid on Capital Lease	(495)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (353,964)</u>
Net Increase (Decrease) in Cash	\$ 198,636
Cash, July 1, 2005	<u>607,872</u>
Cash, June 30, 2006	<u><u>\$ 806,508</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u>	
<u>USED IN OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (34,474)
Adjustment to Reconcile Net Operating Income	
To Net Cash Provided By (Used In) Operating Activities:	
Depreciation Costs	263,454
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	48,314
Increase (Decrease) in Allowance for Uncollectibles	14,120
(Increase) Decrease in Due From Other Funds	375,000
(Increase) Decrease in Due From Other Governments	(1,378)
Increase (Decrease) in Accounts Payable	10,429
Increase (Decrease) in Payroll Deductions Payable	758
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	<u>155,176</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 831,399</u></u>

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

Exhibit D

Smith County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 856,206
Investments	41,438
Accounts Receivable	464
Due from Other Governments	<u>164,240</u>
Total Assets	<u><u>\$ 1,062,348</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 164,240
Due to Litigants, Heirs, and Others	<u>898,108</u>
Total Liabilities	<u><u>\$ 1,062,348</u></u>

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

**SMITH COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Smith County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

Smith County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Smith County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Smith County's auditor to issue an adverse opinion on the county's financial statements.

Although Smith County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

**A. Reporting Entity**

Smith County is a public municipal corporation governed by an elected 24-member board. As required by GAAP, these financial statements present Smith County (the primary government). Although required by GAAP, the financial statements of the Smith County Public Library, a special revenue fund, were not audited and available for inclusion in this report.

**Blended Component Units** – There are no legally separate component units of Smith County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since Smith County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The Smith County School Department operates the public school system in the county, and the voters of Smith County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Smith County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Smith County, and the Smith 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 Smith County School Department and the Smith County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Smith County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Smith County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Smith County Emergency Communications District  
515 Jefferson Avenue East  
Carthage, TN 37030

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Fund financial statements of Smith County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/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. Smith County only reports one proprietary fund, an enterprise fund.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Smith 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 debt service funds 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.

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. 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.

Smith County reports the following major governmental funds:

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

**Highway/Public Works Fund** – This fund accounts for transactions of the county Highway Department.

**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.

**Education Debt Service Fund** – This fund accounts for the resources accumulated and payments made on behalf of the School Department for principal and interest on long-term general obligation debt.

Smith County reports the following major enterprise fund:

**Solid Waste/Disposal Fund** – This fund accounts for transactions of the county-owned landfill.

Additionally, Smith County reports the following fund types:

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

**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 Smith 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. Smith County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund used to account for the operations of the landfill. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's enterprise fund are property taxes and tipping fees.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

C. **Assets, Liabilities, and Net Assets or Equity**

1. **Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee.

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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Smith County and Smith County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the county's General Fund. Smith County and the Smith County 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. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

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 receivable 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 2.11 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

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

### **3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Smith County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Smith County does not present government-wide statements.

Capital assets are reported in the statement of net assets of the proprietary fund. Smith County defines capital assets as all land, buildings, and other assets with an initial, individual cost of \$2,500 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise fund is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the proprietary fund are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Landfill Facilities and Development	2 - 40
Machinery and Equipment	2 - 20

**4. Compensated Absences**

It is the county's policy, with the exception of the county clerk, circuit and general sessions courts clerk, and clerk and master, not to allow for the accumulation of unused vacation days beyond year-end. The county clerk, circuit and general sessions courts clerk, and clerk and master permit employees to accumulate earned but unused vacation benefits. 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.

All county offices allow the accumulation of unused sick days beyond year-end. There is no liability for unpaid accumulated sick leave since Smith County's policies do not provide for payment when employees separate from service with the government.

Vacation pay is not accrued in the proprietary fund statements because the county's policy does not allow for the accumulation of unused vacation days beyond year-end.

**5. Long-term Obligations**

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 closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund financial statements. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

**6. Net Assets and Fund Equity**

In the proprietary funds, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## II. 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 State 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/Executive, 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.

### B. Net Asset/Fund Deficits

The Solid Waste Disposal Fund had an undesignated net asset deficit of \$604,994 at June 30, 2006. This net assets deficit resulted primarily from the recognition of a liability for closure/postclosure care costs.

The Courthouse and Jail Maintenance Fund (a nonmajor special revenue fund) had a deficit fund balance of \$20,269 as of June 30, 2006. This fund deficit resulted from the expenditure of funds for the construction and renovation of the courthouse and jail that were reserved for other purposes. Funding to liquidate this deficit is expected to be received through future litigation tax collections.

The General Capital Projects Fund had a fund deficit of \$48,003 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$61,570 being reserved as encumbrances. Funding for these future expenditures is expected to be received from a sport fish restoration grant.

The Community Development Block Grant Waterline Projects Fund had a fund deficit of \$158,034 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$147,924 being reserved as encumbrances and current liabilities of \$156,365. Funding for these future expenditures is expected to be received from a waterline grant.

The Community Projects Fund had a fund deficit of \$1,117,993 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$1,463,649 being reserved as encumbrances. Funding for these future expenditures is expected to be received from loan proceeds.

**C. Bond Proceeds Expenditure Purpose Violation**

At June 30, 2006, Smith County was in violation of the provisions of a bond resolution. During prior years, Smith County issued general obligation bonds for the construction of a welcome center. The county transferred bond proceeds of \$23,299 from the Other Capital Projects Fund to the General Capital Projects Fund to construct a boat ramp in violation of the bond resolution. The county had not acted as of June 30, 2006, to correct this deficiency.

**D. Expenditures and Encumbrances Exceeded Appropriations**

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

Fund	Major Appropriation Category	Amount
General	County Attorney	\$ 12,801
"	Sheriff's Department	22,294
"	County Coroner/Medical Examiner	772
Highway/Public Works	Principal on Debt - Highways and Streets	7,820
"	Interest on Debt - Highways and Streets	2,102

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Fund and by available fund balance in the Highway/Public Works Fund.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

Smith County and the Smith County School Department participate in an internal cash and investment pool through the Office of Trustee. The Smith County School Department meets the criteria for a discretely presented component unit of Smith County. Since Smith County is presenting fund financial statements only, the financial information for the Smith County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected in the agency funds financial statements represent nonpooled amounts held separately by individual funds.

#### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2006, Smith County had the following investments carried at fair value. All of these investments were made on behalf of litigants at the direction of a court order and are held in the Clerk and Master’s Office.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
College Bound Fund	On Demand	\$ 35,457
Money Market Funds	On Demand	<u>5,981</u>
Total		<u><u>\$ 41,438</u></u>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Smith County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Smith County has no investment policy that would further limit its investment choices. As of June 30, 2006, Smith County’s investments in College Bound Mutual Funds were not rated.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Smith County does not have a formal policy that limits custodial credit risk for investments. Of the \$41,438 in mutual funds, the underlying securities for \$41,438 were uninsured and held by the investment’s counterparty, not in the name of the county. However, it should be noted that these amounts are invested on behalf of litigants at the order of the court and the county has no custodial credit risk for these investments.

**B. Capital Assets**

Capital assets activity of the proprietary fund for the year ended June 30, 2006, was as follows:

**Business-type Activities:**

	Balance			Balance
	7-1-05	Increases	Decreases	6-30-06
Capital Assets Not Depreciated:				
Land	\$ 2,033,084	\$ 0	\$ 0	\$ 2,033,084
Construction in Progress	44,205	124,827	0	169,032
Total Capital Assets Not Depreciated	<u>\$ 2,077,289</u>	<u>\$ 124,827</u>	<u>\$ 0</u>	<u>\$ 2,202,116</u>
Capital Assets Depreciated:				
Landfill Facilities and Development	\$ 1,221,411	\$ 0	\$ 0	\$ 1,221,411
Machinery and Equipment	1,686,594	112,587	(283,470)	1,515,711
Total Capital Assets Depreciated	<u>\$ 2,908,005</u>	<u>\$ 112,587</u>	<u>\$ (283,470)</u>	<u>\$ 2,737,122</u>
Less Accumulated Depreciation For:				
Landfill Facilities and Development	\$ 934,542	\$ 111,846	\$ 0	\$ 1,046,388
Machinery and Equipment	948,307	137,434	(170,082)	915,659
Total Accumulated Depreciation	<u>\$ 1,882,849</u>	<u>\$ 249,280</u>	<u>\$ (170,082)</u>	<u>\$ 1,962,047</u>
Total Capital Assets Depreciated, Net	<u>\$ 1,025,156</u>	<u>\$ (136,693)</u>	<u>\$ (113,388)</u>	<u>\$ 775,075</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,102,445</u>	<u>\$ (11,866)</u>	<u>\$ (113,388)</u>	<u>\$ 2,977,191</u>

**C. Construction Commitments**

At June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts of approximately \$61,570 for the construction of a boat ramp. Funding for these future expenditures is expected to be received from a sport fish restoration grant.

At June 30, 2006, the CDBG Waterline Projects Fund had uncompleted construction contracts of approximately \$147,924 for waterline construction. Funding for these future expenditures is expected to be received from a waterline grant.

At June 30, 2006, the Community Projects Fund had uncompleted construction contracts of approximately \$1,463,649 for the construction of a senior citizens center and an agriculture center. Funding for these future expenditures is expected to be received from loan proceeds.

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 3,534
Highway/Public Works	Nonmajor governmental	1,163

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Transfers Out	Transfers In		
	General Fund	Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 0	\$ 115,000
Highway/Public Works Fund	0	21,662	0
Solid Waste Disposal Fund	0	0	295,000
Nonmajor Governmental Funds	35,000	3,338	23,299
Total	\$ 35,000	\$ 25,000	\$ 433,299

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The county made a one-time transfer of \$3,338 from the General Capital Projects Fund to the General Debt Service Fund to retire debt from note proceeds not expended on the streambank stabilization project.

The county transferred \$23,299 from the Other Capital Projects Fund to the General Capital Projects fund for construction of a boat ramp in violation of the bond resolution. The Other Capital Projects Fund's revenue sources were bond proceeds and grant revenue established for the sole purpose of financing the construction of a welcome center in the county. The funds from this transfer were used for the construction of a boat ramp.

**E. Capital Leases**

On December 23, 2002, Smith County entered into a five-year lease-purchase agreement for highway equipment. The terms of this agreement call for total lease payments of \$104,000 plus interest at 5.5 percent. The lease payments are made by the Highway/Public Works Fund.

On July 8, 2005, Smith County entered into a three-year lease-purchase agreement for patrol cars. The terms of this agreement call for total lease payments of \$225,441 plus interest at 6.5 percent. The lease payments are made by the General Fund.

Since Smith County is presenting fund financial statements only, the present value of minimum lease payments under the lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Smith County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2007	\$ 84,034
2008	68,223
2009	<u>60,316</u>
Total Minimum Lease Payments	\$ 212,573
Less: Amount Representing Interest	<u>(16,184)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 196,389</u></u>

**F. Long-term Debt**

Since Smith County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to

be reported as a liability in government-wide financial statements, but Smith County is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. 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 the other loan outstanding were issued for original terms of up to 40 years for bonds, up to 12 years for notes, and up to 20 years for the other loan. 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 the other loan included in long-term debt as of June 30, 2006, will be retired from either the General Debt Service Fund, the Education Debt Service Fund, or the Highway/Public Works Fund.

General obligation bonds, capital outlay notes, the other loan, and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	3 to 5.5	% \$ 23,247,200	\$ 6,468,600
General Obligation Bonds - Refunding	5	12,800,000	12,800,000
Capital Outlay Notes	2.92 to 4.76	980,753	738,251
Other Loan	Variable	81,695	32,695
Capital Leases	5.5 to 6.5	329,441	196,389

In prior years, Smith County entered into a loan agreement with the United States Department of Agriculture (USDA). This agreement provided for the USDA to make \$257,200 available to Smith County on an as-needed basis for construction and improvements to community facilities. During the year, the USDA converted this loan to a bond.

During the year, Smith County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make \$1,250,000 available to Smith County on an as-needed basis for the construction of a senior/career center and an agriculture center. At June 30, 2006, the county had borrowed \$81,695 of the available amount. This loan is repayable at a tax-exempt variable rate of

interest determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, debt remarketing, and administration) in connection with this loan. At June 30, 2006, the variable interest rate was 3.7 percent and other fees amounted to approximately .25 percent (letter of credit), .08 percent (remarketing), and .15 percent (administration), and a trustee fee of \$100 per month.

The annual requirements to amortize all general obligation bonds, notes, and the other loan outstanding as of June 30, 2006, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 898,881	\$ 959,692	\$ 239,418	\$ 28,066
2008	944,056	918,128	184,298	21,113
2009	989,240	873,744	52,036	14,830
2010	1,034,432	826,465	29,167	12,495
2011	1,079,632	774,340	29,167	11,107
2012-2016	6,151,510	3,052,241	145,833	34,708
2017-2021	7,908,088	1,327,396	58,332	4,165
2022-2026	41,303	56,312	0	0
2027-2031	51,560	46,055	0	0
2032-2036	64,367	33,248	0	0
2037-2041	80,362	17,253	0	0
2042-2044	25,169	1,977	0	0
Total	\$ 19,268,600	\$ 8,886,851	\$ 738,251	\$ 126,484

Year Ending June 30	Other Loan			Total
	Principal	Interest	Other Fees	
2007	\$ 32,695	\$ 44,437	\$ 6,965	\$ 84,097

There is \$749,282 available in the General Debt Service Fund and \$1,542,333 in the Education Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,091, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,145, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2005	\$ 19,863,810	\$ 635,721
Additions	257,200	443,605
Deductions	<u>(852,410)</u>	<u>(341,075)</u>
Balance, June 30, 2006	<u>\$ 19,268,600</u>	<u>\$ 738,251</u>
Balance Due Within One Year	<u>\$ 898,881</u>	<u>\$ 239,418</u>

	<u>Capital Leases</u>	<u>Other Loans</u>
Balance, July 1, 2005	\$ 82,966	\$ 188,168
Additions	225,441	150,727
Deductions	<u>(112,018)</u>	<u>(306,200)</u>
Balance, June 30, 2006	<u>\$ 196,389</u>	<u>\$ 32,695</u>
Balance Due Within One Year	<u>\$ 75,540</u>	<u>\$ 32,695</u>

Defeasance of Prior Debt

In prior years, Smith County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2006, the following outstanding bonds are considered defeased:

	<u>Amount</u>
2000 School Bonds	\$ 6,300,000
2001 School Bonds	6,730,000

Solid Waste Disposal Fund (Enterprise Fund)

The annual requirements to amortize all notes and the other loan outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Notes		Other Loan	
	Principal	Interest	Principal	Interest
2007	\$ 186,528	\$ 15,690	\$ 0	\$ 0
2008	186,528	7,845	1,441,100	122,494
Total	<u>\$ 373,056</u>	<u>\$ 23,535</u>	<u>\$ 1,441,100</u>	<u>\$ 122,494</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2006, was as follows:

Business-type Activities:	Notes	Other Loan	Capital Lease
Balance, July 1, 2005	\$ 1,988,298	\$ 0	\$ 33,697
Additions	0	1,441,100	0
Deductions	(1,615,242)	0	(33,697)
Balance, June 30, 2006	<u>\$ 373,056</u>	<u>\$ 1,441,100</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 186,528</u>	<u>\$ 0</u>	<u>\$ 0</u>

	Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 1,392,190
Additions	163,492
Deductions	(8,316)
Balance, June 30, 2006	<u>\$ 1,547,366</u>
Balance Due Within One Year	<u>\$ 8,316</u>

Total debt per capita of the enterprise fund, including notes and landfill closure/postclosure care costs, amounted to \$103, based on the 2000 federal census.

**G. Short-term Debt**

Smith County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund (\$450,000) and the Ambulance Service Fund (\$75,000). These notes were necessary because

funds were not available to meet operating expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$ 525,000	\$ (525,000)	\$ 0

#### IV. OTHER INFORMATION

##### A. Risk Management

Smith County government's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association. The county pays annual premiums to the pools for the risk coverage noted above. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

The county provides health insurance coverage to its employees through 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, 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 the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

##### B. Accounting Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset

impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Smith County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Smith County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Smith County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Smith County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Smith County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Smith County will offer termination benefits in

subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

Carol Gibbs left the Office of Register on August 31, 2006, and was succeeded by Jerri Lin Vaden.

Johnny Bane left the Office of Sheriff on August 31, 2006, and was succeeded by Ronald Lankford.

On October 19, 2006, the county issued capital outlay notes totaling \$215,000 for building repairs at the courthouse and courthouse annex.

On October 23, 2006, the county entered into a lease-purchase agreement for two solid waste roll-off trucks totaling \$104,265.

On November 27, 2006, the county issued capital outlay notes totaling \$200,000 for highway department road projects.

During the period July 1, 2006, to December 12, 2006, Smith County received other loans of \$517,256 under a previously approved \$1,250,000 loan agreement with the Montgomery County Public Building Authority.

**D. Contingent Liabilities**

The former bookkeeper in the County Mayor's Office was indicted on December 6, 2004, on one count of theft over \$1,000 for improperly receiving reimbursements for postage that she did not purchase. She was also indicted on December 6, 2005, on two counts of theft over \$1,000 and one count of theft over \$10,000 related to questionable expenditures. These cases are still pending in the Smith County Criminal Court.

On December 6, 2005, a former Sheriff's Department employee was indicted on two counts of theft over \$1,000 related to questionable expenditures from the County Mayor's Office. An order for pretrial diversion in this case was entered on October 30, 2006.

The county attorney estimated the possibility of multiple suits arising because of inadequate jail facilities and because of mold contamination at the courthouse. The attorney also stated that these suits may not be covered by insurance, but he could not provide an estimate of the possible liability to the county.

The county is involved in several other pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements. Also, there is an on-going joint investigation of

the Sheriff's Department by the Federal and Tennessee Bureaus of Investigation.

**E. Landfill Closure/Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the Solid Waste Disposal Fund 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. The \$1,547,366 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the old landfill (\$191,268), 99 percent of the capacity of the current Class I landfill cell (\$1,312,042), and 98 percent of the current Class III/IV landfill cell (\$44,056). The current landfill will recognize the remaining estimated cost of closure and postclosure care of \$6,640 as the remaining estimated capacity of the landfill is used. The county expects to close the current Class I landfill cell around the end of 2006 and the Class III/IV landfill cell in 2007. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Actual costs may vary from these estimates due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Fifteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fifteenth Judicial District and participating municipalities in the district. The Fifteenth Judicial District includes Smith, Jackson, Macon, Trousdale, and Wilson Counties. The DTF interlocal agreement was signed by the sheriffs of Smith County, Jackson County, Hartsville/Trousdale County Government, and the police chiefs of the cities of Carthage and Lafayette. 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 the participating law enforcement agencies within the judicial district. Smith County made no contributions to the DTF for the year ended June 30, 2006, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General  
Fifteenth Judicial District  
203 Greentop Street  
Hartsville, TN 37074

**G. Jointly Governed Organization**

The Nashville and Eastern Railroad Authority was created according to state statutes in 1983 to purchase the property, track, and roadbed along approximately 130 miles in Davidson, Wilson, Smith, and Putnam Counties from Seaboard System Railroad, Inc. The business of the authority is conducted by a Board of Directors whose members are appointed by the governing bodies of the cities and counties of service; however, counties do not have any ongoing financial interest or responsibility for the entity. Smith County did not contribute to the operations of the Nashville and Eastern Railroad Authority during the 2005-06 year. Complete financial statements for the authority can be obtained at the following address:

Nashville and Eastern Railroad Authority  
206 South Maple  
Lebanon, TN 37087

**H. Retirement Commitments**

**Plan Description**

Employees of Smith County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Smith County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

**Funding Policy**

Smith County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 5.2 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Smith County is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2006, Smith County’s annual pension cost of \$274,986 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Smith County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$274,986	100%	\$0
6-30-05	276,405	100	0
6-30-04	220,602	100	0

## Schedule of Funding Progress for Smith County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$9,166	\$9,403	\$237	97.48%	\$5,141	4.61%
6-30-03	8,065	8,332	267	96.80	3,853	6.93
6-30-01	7,126	7,447	321	95.69	3,496	9.18

### I. Purchasing Laws

#### Office of County Mayor

Purchasing procedures for the office are governed by the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated, (TCA). This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

#### Office of Road Commissioner

Purchasing procedures for the Highway Department were governed by the Uniform Road Law, Section 54-7-113, TCA, which provides for purchases of \$10,000 or more to be made after public advertisement and solicitation of competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Smith County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 General Fund  
 For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,449,245	\$ 0	\$ 0	\$ 3,449,245	\$ 3,334,795	\$ 3,414,168	\$ 35,077
Licenses and Permits	94,761	0	0	94,761	39,500	79,500	15,261
Fines, Forfeitures, and Penalties	54,294	0	0	54,294	38,500	38,500	15,794
Charges for Current Services	25,722	0	0	25,722	18,800	18,800	6,922
Other Local Revenues	277,227	0	0	277,227	298,500	239,694	37,533
Fees Received from County Officials	879,405	0	0	879,405	768,900	808,900	70,505
State of Tennessee	622,406	0	0	622,406	464,765	559,682	62,724
Federal Government	152,840	0	0	152,840	60,000	111,689	41,151
Other Governments and Citizens Groups	66,800	0	0	66,800	0	66,800	0
<b>Total Revenues</b>	<b>\$ 5,622,700</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,622,700</b>	<b>\$ 5,023,760</b>	<b>\$ 5,337,733</b>	<b>\$ 284,967</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 31,846	\$ 0	\$ 0	\$ 31,846	\$ 30,594	\$ 33,594	\$ 1,748
Board of Equalization	1,700	0	0	1,700	4,200	1,700	0
County Mayor/Executive	142,226	0	310	142,536	143,925	143,925	1,389
County Attorney	47,801	0	0	47,801	15,000	35,000	(12,801)
Election Commission	82,108	(57)	3,958	86,009	93,016	93,016	7,007
Register of Deeds	122,810	0	0	122,810	127,799	127,799	4,989
Planning	11,575	0	0	11,575	13,000	13,000	1,425
Codes Compliance	63,596	0	0	63,596	64,299	64,300	704
County Buildings	244,167	(320)	813	244,660	218,884	253,529	8,869
<u>Finance</u>							
Property Assessor's Office	140,241	0	0	140,241	136,566	142,681	2,440
Reappraisal Program	15,394	0	0	15,394	20,193	16,578	1,184
County Trustee's Office	125,985	(130)	0	125,855	128,620	128,620	2,765
County Clerk's Office	181,043	(236)	801	181,608	184,966	184,966	3,358

(Continued)

Exhibit E-1

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice</u>							
Circuit Court	\$ 220,557	\$ 0	\$ 346	\$ 220,903	\$ 229,730	\$ 229,730	\$ 8,827
General Sessions Judge	70,488	0	0	70,488	70,836	70,836	348
Chancery Court	88,216	(32)	871	89,055	91,079	91,079	2,024
Juvenile Court	4,200	0	0	4,200	4,200	4,200	0
Judicial Commissioners	16,643	0	0	16,643	16,648	16,648	5
<u>Public Safety</u>							
Sheriff's Department	1,795,934	(1,874)	0	1,794,060	1,324,037	1,771,766	(22,294)
Traffic Control	889	0	0	889	1,000	1,000	111
Jail	312,705	(3,637)	6,960	316,028	192,858	326,658	10,630
Correctional Incentive Program Improvements	467,607	0	0	467,607	391,485	467,705	98
Juvenile Services	30,092	0	0	30,092	31,782	31,782	1,690
Fire Prevention and Control	182,780	(275)	1,755	184,260	216,150	216,201	31,941
Civil Defense	73,068	(1,260)	0	71,808	22,600	72,040	232
Other Emergency Management	32,678	0	695	33,373	31,500	33,749	376
Inspection and Regulation	2,584	0	0	2,584	2,584	2,584	0
County Coroner/Medical Examiner	37,272	0	0	37,272	25,500	36,500	(772)
Other Public Safety	148,856	0	0	148,856	159,320	159,320	10,464
<u>Public Health and Welfare</u>							
Local Health Center	19,357	(690)	626	19,293	20,996	21,556	2,263
Crippled Children Services	1,272	0	0	1,272	1,272	1,272	0
Other Local Health Services	6,964	0	0	6,964	6,964	6,964	0
Appropriation to State	12,500	0	0	12,500	12,500	12,500	0
Aid to Dependent Children	2,883	(1,498)	0	1,385	1,500	1,500	115
Other Local Welfare Services	5,000	0	0	5,000	5,000	5,000	0
Waste Pickup	32,451	0	0	32,451	30,721	32,661	210
Other Public Health and Welfare	3,940	0	0	3,940	5,200	5,200	1,260

(Continued)

Exhibit E-1

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	\$ 3,732	\$ 0	\$ 0	\$ 3,732	\$ 4,181	\$ 4,181	\$ 449
Senior Citizens Assistance	35,370	(300)	0	35,070	34,421	35,921	851
Libraries	58,600	0	0	58,600	58,600	58,600	0
Parks and Fair Boards	41,158	(530)	5,374	46,002	45,900	47,543	1,541
Other Social, Cultural, and Recreational	12,590	0	281	12,871	17,255	17,255	4,384
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	52,105	0	0	52,105	54,076	54,076	1,971
Soil Conservation	8,900	0	0	8,900	8,900	8,900	0
<u>Other Operations</u>							
Tourism	300	0	0	300	2,300	2,300	2,000
Industrial Development	3,414	0	0	3,414	5,250	5,250	1,836
Other Economic and Community Development	27,467	0	0	27,467	27,467	27,467	0
Veterans' Services	8,105	0	0	8,105	11,552	11,552	3,447
Employee Benefits	86,017	0	0	86,017	108,907	89,038	3,021
Miscellaneous	335,501	(70)	0	335,431	311,645	418,387	82,956
Total Expenditures	\$ 5,452,687	\$ (10,909)	\$ 22,790	\$ 5,464,568	\$ 4,766,978	\$ 5,637,629	\$ 173,061
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 170,013	\$ 10,909	\$ (22,790)	\$ 158,132	\$ 256,782	\$ (299,896)	\$ 458,028
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 225,441	\$ 0	\$ 0	\$ 225,441	\$ 0	\$ 225,441	\$ 0
Transfers In	35,000	0	0	35,000	0	36,684	(1,684)
Transfers Out	(115,000)	0	0	(115,000)	(143,351)	(143,351)	28,351
Total Other Financing Sources (Uses)	\$ 145,441	\$ 0	\$ 0	\$ 145,441	\$ (143,351)	\$ 118,774	\$ 26,667
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 315,454	\$ 10,909	\$ (22,790)	\$ 303,573	\$ 113,431	\$ (181,122)	\$ 484,695
	467,507	(10,909)	0	456,598	344,321	344,321	112,277
Fund Balance, June 30, 2006							
	\$ 782,961	\$ 0	\$ (22,790)	\$ 760,171	\$ 457,752	\$ 163,199	\$ 596,972

Exhibit E-2

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 213,108	\$ 255,451	\$ 255,739	\$ (42,631)
Other Local Revenues	76,849	36,000	72,987	3,862
State of Tennessee	1,607,823	2,085,893	2,085,893	(478,070)
Federal Government	50,878	0	50,878	0
Total Revenues	<u>\$ 1,948,658</u>	<u>\$ 2,377,344</u>	<u>\$ 2,465,497</u>	<u>\$ (516,839)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 145,289	\$ 152,599	\$ 156,533	\$ 11,244
Highway and Bridge Maintenance	724,985	938,698	866,994	142,009
Operation and Maintenance of Equipment	256,054	202,748	287,353	31,299
Other Charges	108,974	100,372	117,024	8,050
Employee Benefits	317,377	332,925	335,425	18,048
Capital Outlay	185,320	650,000	678,500	493,180
<u>Principal on Debt</u>				
Highways and Streets	185,872	183,217	178,052	(7,820)
<u>Interest on Debt</u>				
Highways and Streets	9,271	0	7,169	(2,102)
Total Expenditures	<u>\$ 1,933,142</u>	<u>\$ 2,560,559</u>	<u>\$ 2,627,050</u>	<u>\$ 693,908</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 15,516</u>	<u>\$ (183,215)</u>	<u>\$ (161,553)</u>	<u>\$ 177,069</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (21,662)	0	(21,662)	0
Total Other Financing Sources (Uses)	<u>\$ (21,662)</u>	<u>0</u>	<u>(21,662)</u>	<u>0</u>
Net Change in Fund Balance	\$ (6,146)	(183,215)	(183,215)	177,069
Fund Balance, July 1, 2005	<u>333,340</u>	<u>231,425</u>	<u>231,425</u>	<u>101,915</u>
Fund Balance, June 30, 2006	<u>\$ 327,194</u>	<u>\$ 48,210</u>	<u>\$ 48,210</u>	<u>\$ 278,984</u>

**SMITH COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**A. BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Smith 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 State 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/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the Smith County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

Fund	Major Appropriation Category	Amount
General	County Attorney	\$ 12,801
"	Sheriff's Department	22,294
"	County Coroner/Medical Examiner	772
Highway/Public Works	Principal on Debt - Highways and Streets	7,820
"	Interest on Debt - Highways and Streets	2,102

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues in the General Fund and by available fund balance in the Highway/Public Works Fund.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation and the recording of certain instruments. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collections.

Ambulance Service Fund – The Ambulance Service Fund is used to account for transactions of the Ambulance Service.

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

# Capital Projects Funds

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

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

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for capital expenditures for the construction of a welcome center in Smith County.

CDBG Waterline Projects Fund – The CDBG Waterline Projects Fund is used to account for capital expenditures for the construction of a waterline extension financed by a Community Development Block Grant.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for grants proceeds received for low-income home construction and renovation projects.

Community Projects Fund – The Community Projects Fund is used to account for capital expenditures for the construction of a senior/career center and an agriculture center in Smith County.

Exhibit F-1

Smith County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Total
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 157,085	\$ 11,375	\$ 10,680	\$ 15,212	\$ 194,352
Accounts Receivable	0	9,500	975,754	0	985,254
Allowance for Uncollectibles	0	0	(482,998)	0	(482,998)
Due from Other Governments	0	0	0	0	0
Total Assets	<u>\$ 157,085</u>	<u>\$ 20,875</u>	<u>\$ 503,436</u>	<u>\$ 15,212</u>	<u>\$ 696,608</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 4,397	\$ 9,566	\$ 0	\$ 13,963
Payroll Deductions Payable	0	915	1,326	0	2,241
Contracts Payable	0	0	0	0	0
Retainage Payable	0	0	0	0	0
Due to Other Funds	3,534	0	0	0	3,534
Other Deferred Revenues	0	0	436,880	0	436,880
Total Liabilities	<u>\$ 3,534</u>	<u>\$ 5,312</u>	<u>\$ 447,772</u>	<u>\$ 0</u>	<u>\$ 456,618</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 100	\$ 2,074	\$ 7,302	\$ 0	\$ 9,476
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	173,720	0	0	0	173,720
Unreserved (Deficit)	(20,269)	13,489	48,362	15,212	56,794
Total Fund Balances	<u>\$ 153,551</u>	<u>\$ 15,563</u>	<u>\$ 55,664</u>	<u>\$ 15,212</u>	<u>\$ 239,990</u>
Total Liabilities and Fund Balances	<u>\$ 157,085</u>	<u>\$ 20,875</u>	<u>\$ 503,436</u>	<u>\$ 15,212</u>	<u>\$ 696,608</u>

(Continued)

Exhibit F-1

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

	<u>Capital Projects Funds</u>					Total
	General Capital Projects	CDBG Waterline Projects	HUD Grant Projects	Community Projects	Total	Nonmajor Governmental Funds
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 13,567	\$ 0	\$ 2,500	\$ 346,150	\$ 362,217	\$ 556,569
Accounts Receivable	0	29,955	0	16,276	46,231	1,031,485
Allowance for Uncollectibles	0	0	0	0	0	(482,998)
Due from Other Governments	0	116,300	0	0	116,300	116,300
<b>Total Assets</b>	<b>\$ 13,567</b>	<b>\$ 146,255</b>	<b>\$ 2,500</b>	<b>\$ 362,426</b>	<b>\$ 524,748</b>	<b>\$ 1,221,356</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 14,024	\$ 0	\$ 15,113	\$ 29,137	\$ 43,100
Payroll Deductions Payable	0	0	0	0	0	2,241
Contracts Payable	0	132,231	0	0	132,231	132,231
Retainage Payable	0	10,110	0	494	10,604	10,604
Due to Other Funds	0	0	0	1,163	1,163	4,697
Other Deferred Revenues	0	0	0	0	0	436,880
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 156,365</b>	<b>\$ 0</b>	<b>\$ 16,770</b>	<b>\$ 173,135</b>	<b>\$ 629,753</b>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 61,570	\$ 147,924	\$ 0	\$ 1,463,649	\$ 1,673,143	\$ 1,682,619
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	173,720
Unreserved (Deficit)	(48,003)	(158,034)	2,500	(1,117,993)	(1,321,530)	(1,264,736)
<b>Total Fund Balances</b>	<b>\$ 13,567</b>	<b>\$ (10,110)</b>	<b>\$ 2,500</b>	<b>\$ 345,656</b>	<b>\$ 351,613</b>	<b>\$ 591,603</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 13,567</b>	<b>\$ 146,255</b>	<b>\$ 2,500</b>	<b>\$ 362,426</b>	<b>\$ 524,748</b>	<b>\$ 1,221,356</b>

Exhibit F-2

Smith County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2006

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Total
<u>Revenues</u>					
Local Taxes	\$ 100,350	\$ 0	\$ 0	\$ 0	\$ 100,350
Fines, Forfeitures, and Penalties	0	0	0	14,594	14,594
Charges for Current Services	0	0	601,168	0	601,168
Other Local Revenues	8,000	2,185	5,619	900	16,704
State of Tennessee	0	9,500	0	0	9,500
Federal Government	0	0	0	0	0
Other Governments and Citizens Groups	0	0	0	0	0
Total Revenues	\$ 108,350	\$ 11,685	\$ 606,787	\$ 15,494	\$ 742,316
<u>Expenditures</u>					
Current:					
General Government	\$ 35,990	\$ 0	\$ 0	\$ 0	\$ 35,990
Public Safety	0	0	0	3,273	3,273
Public Health and Welfare	0	291,652	754,738	0	1,046,390
Other Operations	983	395	0	0	1,378
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 36,973	\$ 292,047	\$ 754,738	\$ 3,273	\$ 1,087,031
Excess (Deficiency) of Revenues Over Expenditures	\$ 71,377	\$ (280,362)	\$ (147,951)	\$ 12,221	\$ (344,715)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 68,605	\$ 0	\$ 68,605
Other Loans Issued	0	0	0	0	0
Transfers In	0	295,000	115,000	0	410,000
Transfers Out	0	0	0	(35,000)	(35,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 295,000	\$ 183,605	\$ (35,000)	\$ 443,605
Net Change in Fund Balances	\$ 71,377	\$ 14,638	\$ 35,654	\$ (22,779)	\$ 98,890
Fund Balance, July 1, 2005	82,174	925	20,010	37,991	141,100
Fund Balance, June 30, 2006	\$ 153,551	\$ 15,563	\$ 55,664	\$ 15,212	\$ 239,990

(Continued)

Exhibit F-2

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

	Capital Projects Funds						Total Nonmajor Governmental Funds
	General Capital Projects	Other Capital Projects	CDBG Waterline Projects	HUD Grant Projects	Community Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,350
Fines, Forfeitures, and Penalties	0	0	0	0	0	0	14,594
Charges for Current Services	0	0	0	0	0	0	601,168
Other Local Revenues	0	0	0	2,500	1,200	3,700	20,404
State of Tennessee	0	0	178,648	0	0	178,648	188,148
Federal Government	5,937	0	0	121,406	0	127,343	127,343
Other Governments and Citizens Groups	1,500	0	0	0	0	1,500	1,500
Total Revenues	\$ 7,437	\$ 0	\$ 178,648	\$ 123,906	\$ 1,200	\$ 311,191	\$ 1,053,507
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,990
Public Safety	0	0	0	0	0	0	3,273
Public Health and Welfare	0	0	0	0	0	0	1,046,390
Other Operations	0	65	188,758	121,406	0	310,229	311,607
Capital Projects	114,507	0	0	0	87,239	201,746	201,746
Total Expenditures	\$ 114,507	\$ 65	\$ 188,758	\$ 121,406	\$ 87,239	\$ 511,975	\$ 1,599,006
Excess (Deficiency) of Revenues Over Expenditures	\$ (107,070)	\$ (65)	\$ (10,110)	\$ 2,500	\$ (86,039)	\$ (200,784)	\$ (545,499)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 25,000	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 375,000	\$ 443,605
Other Loans Issued	69,032	0	0	0	81,695	150,727	150,727
Transfers In	23,299	0	0	0	0	23,299	433,299
Transfers Out	(3,338)	(23,299)	0	0	0	(26,637)	(61,637)
Total Other Financing Sources (Uses)	\$ 113,993	\$ (23,299)	\$ 0	\$ 0	\$ 431,695	\$ 522,389	\$ 965,994
Net Change in Fund Balances	\$ 6,923	\$ (23,364)	\$ (10,110)	\$ 2,500	\$ 345,656	\$ 321,605	\$ 420,495
Fund Balance, July 1, 2005	6,644	23,364	0	0	0	30,008	171,108
Fund Balance, June 30, 2006	\$ 13,567	\$ 0	\$ (10,110)	\$ 2,500	\$ 345,656	\$ 351,613	\$ 591,603

Exhibit F-3

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Courthouse & Jail Maintenance Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 100,350	\$ 0	\$ 100,350	\$ 70,000	\$ 70,000	\$ 30,350
Other Local Revenues	8,000	0	8,000	0	8,000	0
Total Revenues	<u>\$ 108,350</u>	<u>\$ 0</u>	<u>\$ 108,350</u>	<u>\$ 70,000</u>	<u>\$ 78,000</u>	<u>\$ 30,350</u>
<u>Expenditures</u>						
<u>General Government</u>						
County Buildings	\$ 35,990	\$ 100	\$ 36,090	\$ 57,500	\$ 65,500	\$ 29,410
<u>Other Operations</u>						
Miscellaneous	983	0	983	1,400	1,400	417
Total Expenditures	<u>\$ 36,973</u>	<u>\$ 100</u>	<u>\$ 37,073</u>	<u>\$ 58,900</u>	<u>\$ 66,900</u>	<u>\$ 29,827</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 71,377</u>	<u>\$ (100)</u>	<u>\$ 71,277</u>	<u>\$ 11,100</u>	<u>\$ 11,100</u>	<u>\$ 60,177</u>
Net Change in Fund Balance	\$ 71,377	(100)	71,277	11,100	11,100	60,177
Fund Balance, July 1, 2005	<u>82,174</u>	<u>0</u>	<u>82,174</u>	<u>91,967</u>	<u>91,967</u>	<u>(9,793)</u>
Fund Balance, June 30, 2006	<u>\$ 153,551</u>	<u>\$ (100)</u>	<u>\$ 153,451</u>	<u>\$ 103,067</u>	<u>\$ 103,067</u>	<u>\$ 50,384</u>

Exhibit F-4

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 2,185	\$ 0	\$ 2,185	\$ 600	\$ 600	\$ 1,585
State of Tennessee	9,500	0	9,500	0	0	9,500
Total Revenues	\$ 11,685	\$ 0	\$ 11,685	\$ 600	\$ 600	\$ 11,085
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Waste Pickup	\$ 112,802	\$ 1,057	\$ 113,859	\$ 121,153	\$ 130,153	\$ 16,294
Convenience Centers	178,828	1,017	179,845	205,718	196,593	16,748
Other Waste Disposal	22	0	22	0	25	3
<u>Other Operations</u>						
Employee Benefits	395	0	395	300	400	5
Total Expenditures	\$ 292,047	\$ 2,074	\$ 294,121	\$ 327,171	\$ 327,171	\$ 33,050
Excess (Deficiency) of Revenues Over Expenditures	\$ (280,362)	\$ (2,074)	\$ (282,436)	\$ (326,571)	\$ (326,571)	\$ 44,135
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 295,000	\$ 0	\$ 295,000	\$ 325,684	\$ 325,684	\$ (30,684)
Total Other Financing Sources (Uses)	\$ 295,000	\$ 0	\$ 295,000	\$ 325,684	\$ 325,684	\$ (30,684)
Net Change in Fund Balance	\$ 14,638	\$ (2,074)	\$ 12,564	\$ (887)	\$ (887)	\$ 13,451
Fund Balance, July 1, 2005	925	0	925	887	887	38
Fund Balance, June 30, 2006	\$ 15,563	\$ (2,074)	\$ 13,489	\$ 0	\$ 0	\$ 13,489

Exhibit F-5

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Ambulance Service Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 601,168	\$ 0	\$ 0	\$ 601,168	\$ 590,000	\$ 607,428	\$ (6,260)
Other Local Revenues	5,619	0	0	5,619	3,500	3,500	2,119
Total Revenues	\$ 606,787	\$ 0	\$ 0	\$ 606,787	\$ 593,500	\$ 610,928	\$ (4,141)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Ambulance/Emergency Medical Services	\$ 754,738	\$ (300)	\$ 7,302	\$ 761,740	\$ 805,851	\$ 823,279	\$ 61,539
Total Expenditures	\$ 754,738	\$ (300)	\$ 7,302	\$ 761,740	\$ 805,851	\$ 823,279	\$ 61,539
Excess (Deficiency) of Revenues Over Expenditures	\$ (147,951)	\$ 300	\$ (7,302)	\$ (154,953)	\$ (212,351)	\$ (212,351)	\$ 57,398
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 68,605	\$ 0	\$ 0	\$ 68,605	\$ 69,000	\$ 69,000	\$ (395)
Transfers In	115,000	0	0	115,000	143,351	143,351	(28,351)
Total Other Financing Sources (Uses)	\$ 183,605	\$ 0	\$ 0	\$ 183,605	\$ 212,351	\$ 212,351	\$ (28,746)
Net Change in Fund Balance	\$ 35,654	\$ 300	\$ (7,302)	\$ 28,652	\$ 0	\$ 0	\$ 28,652
Fund Balance, July 1, 2005	20,010	(300)	0	19,710	0	0	19,710
Fund Balance, June 30, 2006	\$ 55,664	\$ 0	\$ (7,302)	\$ 48,362	\$ 0	\$ 0	\$ 48,362

Exhibit F-6

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 14,594	\$ 37,800	\$ 37,800	\$ (23,206)
Other Local Revenues	900	0	900	0
Total Revenues	<u>\$ 15,494</u>	<u>\$ 37,800</u>	<u>\$ 38,700</u>	<u>\$ (23,206)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 3,266	\$ 10,000	\$ 10,000	\$ 6,734
Drug Enforcement	7	50	50	43
Total Expenditures	<u>\$ 3,273</u>	<u>\$ 10,050</u>	<u>\$ 10,050</u>	<u>\$ 6,777</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,221</u>	<u>\$ 27,750</u>	<u>\$ 28,650</u>	<u>\$ (16,429)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (35,000)	0	\$ (36,684)	\$ 1,684
Total Other Financing Sources (Uses)	<u>\$ (35,000)</u>	<u>0</u>	<u>\$ (36,684)</u>	<u>\$ 1,684</u>
Net Change in Fund Balance	\$ (22,779)	\$ 27,750	\$ (8,034)	\$ (14,745)
Fund Balance, July 1, 2005	<u>37,991</u>	<u>52,024</u>	<u>52,024</u>	<u>(14,033)</u>
Fund Balance, June 30, 2006	<u>\$ 15,212</u>	<u>\$ 79,774</u>	<u>\$ 43,990</u>	<u>\$ (28,778)</u>

# Major Governmental Funds

## Debt Service Funds

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Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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General Debt Service Fund – The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Education Debt Service Fund – The Education Debt Service Fund is used to account for the accumulation of resources for, and the payment of, education long-term debt principal, interest, and related costs.

Exhibit G-1

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 429,562	\$ 427,881	\$ 427,881	\$ 1,681
Other Local Revenues	4,800	47,280	47,280	(42,480)
Total Revenues	<u>\$ 434,362</u>	<u>\$ 475,161</u>	<u>\$ 475,161</u>	<u>\$ (40,799)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 259,152	\$ 285,245	\$ 310,245	\$ 51,093
<u>Interest on Debt</u>				
General Government	41,332	45,705	45,705	4,373
<u>Other Debt Service</u>				
General Government	81,691	8,600	81,761	70
Total Expenditures	<u>\$ 382,175</u>	<u>\$ 339,550</u>	<u>\$ 437,711</u>	<u>\$ 55,536</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 52,187</u>	<u>\$ 135,611</u>	<u>\$ 37,450</u>	<u>\$ 14,737</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 25,000	0	\$ 25,000	0
Total Other Financing Sources (Uses)	<u>\$ 25,000</u>	<u>0</u>	<u>\$ 25,000</u>	<u>0</u>
Net Change in Fund Balance	\$ 77,187	\$ 135,611	\$ 62,450	\$ 14,737
Fund Balance, July 1, 2005	<u>672,095</u>	<u>672,089</u>	<u>672,089</u>	<u>6</u>
Fund Balance, June 30, 2006	<u><u>\$ 749,282</u></u>	<u><u>\$ 807,700</u></u>	<u><u>\$ 734,539</u></u>	<u><u>\$ 14,743</u></u>

Exhibit G-2

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Education Debt Service Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,654,335	\$ 1,519,146	\$ 1,519,146	\$ 135,189
Other Governments and Citizens Groups	296,000	0	296,000	0
Total Revenues	<u>\$ 1,950,335</u>	<u>\$ 1,519,146</u>	<u>\$ 1,815,146</u>	<u>\$ 135,189</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 850,000	\$ 850,000	\$ 850,000	\$ 0
<u>Interest on Debt</u>				
Education	969,862	969,863	969,863	1
<u>Other Debt Service</u>				
Education	20,343	21,000	21,000	657
Total Expenditures	<u>\$ 1,840,205</u>	<u>\$ 1,840,863</u>	<u>\$ 1,840,863</u>	<u>\$ 658</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 110,130</u>	<u>\$ (321,717)</u>	<u>\$ (25,717)</u>	<u>\$ 135,847</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 296,000	\$ 0	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 296,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 110,130	\$ (25,717)	\$ (25,717)	\$ 135,847
Fund Balance, July 1, 2005	<u>1,432,203</u>	<u>1,500,028</u>	<u>1,500,028</u>	<u>(67,825)</u>
Fund Balance, June 30, 2006	<u>\$ 1,542,333</u>	<u>\$ 1,474,311</u>	<u>\$ 1,474,311</u>	<u>\$ 68,022</u>

# Fiduciary Funds

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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.

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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 and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Smith County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>		
	<u>Cities - Sales Tax</u>	<u>Constitu- tional Officers - Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 856,206	\$ 856,206
Investments	0	41,438	41,438
Accounts Receivable	0	464	464
Due from Other Governments	164,240	0	164,240
	<hr/>		
Total Assets	\$ 164,240	\$ 898,108	\$ 1,062,348
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 164,240	\$ 0	\$ 164,240
Due to Litigants, Heirs, and Others	0	898,108	898,108
	<hr/>		
Total Liabilities	\$ 164,240	\$ 898,108	\$ 1,062,348
	<hr/>		

## Exhibit H-2

Smith County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 932,194	\$ 932,194	\$ 0
Due From Other Governments	159,103	164,240	159,103	164,240
Total Assets	\$ 159,103	\$ 1,096,434	\$ 1,091,297	\$ 164,240
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 159,103	\$ 1,096,434	\$ 1,091,297	\$ 164,240
Total Liabilities	\$ 159,103	\$ 1,096,434	\$ 1,091,297	\$ 164,240
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 853,002	\$ 4,540,977	\$ 4,537,773	\$ 856,206
Investments	38,923	41,438	38,923	41,438
Accounts Receivable	40	464	40	464
Total Assets	\$ 891,965	\$ 4,582,879	\$ 4,576,736	\$ 898,108
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 891,965	\$ 4,582,879	\$ 4,576,736	\$ 898,108
Total Liabilities	\$ 891,965	\$ 4,582,879	\$ 4,576,736	\$ 898,108
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 932,194	\$ 932,194	\$ 0
Cash	853,002	4,540,977	4,537,773	856,206
Investments	38,923	41,438	38,923	41,438
Accounts Receivable	40	464	40	464
Due From Other Governments	159,103	164,240	159,103	164,240
Total Assets	\$ 1,051,068	\$ 5,679,313	\$ 5,668,033	\$ 1,062,348
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 159,103	\$ 1,096,434	\$ 1,091,297	\$ 164,240
Due to Litigants, Heirs, and Others	891,965	4,582,879	4,576,736	898,108
Total Liabilities	\$ 1,051,068	\$ 5,679,313	\$ 5,668,033	\$ 1,062,348

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## MISCELLANEOUS SCHEDULES

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Exhibit I-1

Smith County, Tennessee  
Schedule of Changes in Long-term Notes,  
Capital Leases, Other Loans, and Bonds  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Matured During Period	(1) Transfers	Outstanding 6-30-06
<b>NOTES PAYABLE</b>									
<u>Payable through General Debt Service Fund</u>									
Voting Machines	\$ 118,150	3.79	% 7-16-02	7-16-05	\$ 39,383	\$ 0	\$ 39,383	\$ 0	\$ 0
Ambulance	67,927	3.77	12-12-02	12-12-05	22,643	0	22,643	0	0
County Clerk Computer, Ambulance, and Fire Trucks	165,360	2.95	12-15-03	11-15-06	110,240	0	55,120	0	55,120
Ambulance	61,788	2.96	11-23-04	11-23-07	61,788	0	20,596	0	41,192
Land Purchase (Senior Center and Agriculture Center)	135,000	3.09	1-14-05	2-14-08	135,000	0	45,000	0	90,000
Streambank Stabilization Project	25,000	3.69	9-23-05	12-2-05	0	25,000	25,000	0	0
Ambulance	68,605	4.14	12-22-05	12-22-08	0	68,605	0		68,605
Agriculture Center	350,000	4.76	6-8-06	6-8-18	0	350,000	0		350,000
Total Payable through General Debt Service Fund					<u>\$ 369,054</u>	<u>\$ 443,605</u>	<u>\$ 207,742</u>	<u>\$ 0</u>	<u>\$ 604,917</u>
<u>Payable through Highway/Public Works Fund</u>									
Highway Projects	200,000	3.49	1-27-03	1-27-06	\$ 66,667	\$ 0	\$ 66,667	\$ 0	\$ 0
Highway Projects	200,000	2.92	11-29-04	11-29-07	200,000	0	66,666	0	133,334
Total Payable through Highway/Public Works Fund					<u>\$ 266,667</u>	<u>\$ 0</u>	<u>\$ 133,333</u>	<u>\$ 0</u>	<u>\$ 133,334</u>
Total Notes Payable					<u>\$ 635,721</u>	<u>\$ 443,605</u>	<u>\$ 341,075</u>	<u>\$ 0</u>	<u>\$ 738,251</u>
<b>CAPITAL LEASES PAYABLE</b>									
<u>Payable through Highway/Public Works Fund</u>									
Tractor and Boom-Mower	50,000	5.75	5-15-01	4-15-06	\$ 9,333	\$ 0	\$ 9,333	\$ 0	\$ 0
Tractor and Boom-Mower	58,325	6.76	12-14-00	12-14-05	3,803	0	3,803	0	0
Tractor and Boom-Mower	104,000	5.5	12-23-02	12-23-07	51,830	0	21,403	0	30,427
Caterpillar Loader	18,000	0	6-1-05	3-1-06	18,000	0	18,000	0	0
Total Payable through Highway/Public Works Fund					<u>\$ 82,966</u>	<u>\$ 0</u>	<u>\$ 52,539</u>	<u>\$ 0</u>	<u>\$ 30,427</u>
<u>Payable through General Fund</u>									
Patrol Cars	225,441	6.5	7-8-05	8-8-08	\$ 0	\$ 225,441	\$ 59,479	\$ 0	\$ 165,962
Total Capital Leases Payable					<u>\$ 82,966</u>	<u>\$ 225,441</u>	<u>\$ 112,018</u>	<u>\$ 0</u>	<u>\$ 196,389</u>

(Continued)

Exhibit I-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Matured During Period	(1) Transfers	Outstanding 6-30-06
<b><u>OTHER LOANS PAYABLE</u></b>									
<b><u>Payable through General Debt Service Fund</u></b>									
USDA - Community Facility Loan	\$ 257,200	4.625	% 12-27-02	5-26-06	\$ 188,168	\$ 69,032	\$ 0	\$ (257,200)	\$ 0
Career/Agriculture Center Construction	(2)	variable	12-7-05	5-25-25	0	81,695	49,000	0	32,695
Total Other Loans Payable					<u>\$ 188,168</u>	<u>\$ 150,727</u>	<u>\$ 49,000</u>	<u>\$ (257,200)</u>	<u>\$ 32,695</u>
<b><u>BONDS PAYABLE</u></b>									
<b><u>Payable through Education Debt Service Fund</u></b>									
School Bonds, Series 2000	8,500,000	4.7 to 5.5	12-14-00	4-1-21	\$ 1,350,000	\$ 0	\$ 200,000	\$ 0	\$ 1,150,000
School Bonds, Series 2001	9,000,000	4.7 to 5.5	12-14-00	4-1-21	1,350,000	0	200,000	0	1,150,000
School Bonds, Series 2002	5,400,000	3 to 4.75	4-11-02	4-11-13	4,275,000	0	450,000	0	3,825,000
School Refunding Bonds, Series 2005	12,800,000	5	1-1-05	4-1-21	12,800,000	0	0	0	12,800,000
Total Payable through Education Debt Service Fund					<u>\$ 19,775,000</u>	<u>\$ 0</u>	<u>\$ 850,000</u>	<u>\$ 0</u>	<u>\$ 18,925,000</u>
<b><u>Payable through General Debt Service Fund</u></b>									
Welcome Center	90,000	4.25	10-16-03	10-16-43	\$ 88,810	\$ 0	\$ 2,410	\$ 0	\$ 86,400
USDA - Community Facility	257,200	4.63	5-26-06	5-26-42	0	0	0	257,200	257,200
Total Payable through General Debt Service Fund					<u>\$ 88,810</u>	<u>\$ 0</u>	<u>\$ 2,410</u>	<u>\$ 257,200</u>	<u>\$ 343,600</u>
Total Bonds Payable					<u>\$ 19,863,810</u>	<u>\$ 0</u>	<u>\$ 852,410</u>	<u>\$ 257,200</u>	<u>\$ 19,268,600</u>

(1) The USDA converted the other loan to a bond on May 26, 2006.

(2) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$1,250,000 of which \$81,695 has been received at June 30, 2006.

Exhibit I-2

Smith County, Tennessee  
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 898,881	\$ 959,692	\$ 1,858,573
2008	944,056	918,128	1,862,184
2009	989,240	873,744	1,862,984
2010	1,034,432	826,465	1,860,897
2011	1,079,632	774,340	1,853,972
2012	1,104,842	720,692	1,825,534
2013	1,125,062	669,632	1,794,694
2014	1,235,292	616,482	1,851,774
2015	1,310,531	555,306	1,865,837
2016	1,375,783	490,129	1,865,912
2017	1,446,045	420,366	1,866,411
2018	1,506,318	347,093	1,853,411
2019	1,576,604	269,794	1,846,398
2020	1,651,904	188,150	1,840,054
2021	1,727,217	101,993	1,829,210
2022	7,545	11,978	19,523
2023	7,887	11,636	19,523
2024	8,244	11,279	19,523
2025	8,618	10,905	19,523
2026	9,009	10,514	19,523
2027	9,418	10,105	19,523
2028	9,845	9,678	19,523
2029	10,292	9,231	19,523
2030	10,759	8,764	19,523
2031	11,246	8,277	19,523
2032	11,757	7,766	19,523
2033	12,290	7,233	19,523
2034	12,848	6,675	19,523
2035	13,431	6,092	19,523
2036	14,041	5,482	19,523
2037	14,678	4,845	19,523
2038	15,344	4,179	19,523
2039	16,041	3,482	19,523
2040	16,769	2,754	19,523
2041	17,530	1,993	19,523
2042	18,113	1,411	19,524
2043	4,343	375	4,718
2044	2,713	191	2,904
Total	\$ 19,268,600	\$ 8,886,851	\$ 28,155,451

Exhibit I-3

Smith County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Ambulance Service	Operations	\$ 115,000
Solid Waste Disposal	Solid Waste/Sanitation	Operations	295,000
Highway/Public Works	General Debt Service	To retire debt	21,662
General Capital Projects	General Debt Service	To retire debt	3,338
Other Capital Projects	General Capital Projects	Construction costs	23,299
Drug Control	General	Reimburse drug agent's salary	<u>35,000</u>
Total Transfers			<u>\$ 493,299</u>

Exhibit I-4

Smith County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 57,804	\$ 50,000	The Cincinnati Insurance Company
Road Commissioner	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	50,048	560,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	12,500	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	Western Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	The Cincinnati Insurance Company
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	53,838 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (2)	25,000	"
Employee Dishonesty Bond Coverage:				
General County and Highway Department Employees			150,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of \$3,790.

(2) Includes a law enforcement training supplement of \$519.

Exhibit I-5

Smith County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2006

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,363,846	\$ 0	\$ 0	\$ 0	\$ 0	143,264
Trustee's Collections - Prior Year	88,598	0	0	0	0	4,840
Trustee's Collections - Bankruptcy	4,753	0	0	0	0	288
Circuit/Clerk & Master Collections - Prior Years	35,788	0	0	0	0	1,909
Interest and Penalty	15,107	0	0	0	0	771
Payments in-Lieu-of Taxes - T.V.A.	1,054	0	0	0	0	64
Payments in-Lieu-of Taxes - Other	12,652	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	570,563	0	0	0	0	0
Wheel Tax	0	0	0	0	0	0
Litigation Tax - General	92,396	32,391	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	67,959	0	0	0	0
Business Tax	97,467	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	58,495
<u>Statutory Local Taxes</u>						
Bank Excise Tax	71,286	0	0	0	0	3,477
Wholesale Beer Tax	93,474	0	0	0	0	0
Interstate Telecommunications Tax	2,261	0	0	0	0	0
Total Local Taxes	\$ 3,449,245	\$ 100,350	\$ 0	\$ 0	\$ 0	213,108
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 10,061	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>						
Beer Permits	1,250	0	0	0	0	0
Building Permits	83,450	0	0	0	0	0
Total Licenses and Permits	\$ 94,761	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	362	\$ 0
Jail Fees	412	0	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Data Entry Fee - Circuit Court	\$ 498	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>General Sessions Court</u>						
Fines	1,608	0	0	0	0	0
Game and Fish Fines	969	0	0	0	0	0
Drug Control Fines	418	0	0	0	14,232	0
Jail Fees	29,808	0	0	0	0	0
DUI Treatment Fines	6,457	0	0	0	0	0
Data Entry Fee - General Sessions Court	9,279	0	0	0	0	0
Courtroom Security Fee	913	0	0	0	0	0
<u>Juvenile Court</u>						
Data Entry Fee - Juvenile Court	58	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	3,186	0	0	0	0	0
Data Entry Fee - Chancery Court	688	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 54,294	\$ 0	\$ 0	\$ 0	14,594	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 0	\$ 0	\$ 0	600,978	\$ 0	0
Other General Service Charges	200	0	0	0	0	0
<u>Fees</u>						
Copy Fees	7,190	0	0	190	0	0
Telephone Commissions	4,255	0	0	0	0	0
Data Processing Fee - Register	10,774	0	0	0	0	0
Data Processing Fee - Sheriff	3,303	0	0	0	0	0
Total Charges for Current Services	\$ 25,722	\$ 0	\$ 0	601,168	\$ 0	0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 209,936	\$ 0	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	1,525	0	2,185	1,400	0	0
Sale of Gasoline	0	0	0	3,363	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Highway / Public Works
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Miscellaneous Refunds	\$ 1,544	\$ 8,000	\$ 0	\$ 856	\$ 0	1,113
<u>Nonrecurring Items</u>						
Sale of Equipment	9,222	0	0	0	900	20,644
Contributions & Gifts	1,000	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	54,000	0	0	0	0	55,092
Total Other Local Revenues	\$ 277,227	\$ 8,000	\$ 2,185	\$ 5,619	\$ 900	\$ 76,849
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 162,428	\$ 0	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	81,150	0	0	0	0	0
General Sessions Court Clerk	194,762	0	0	0	0	0
Clerk and Master	49,054	0	0	0	0	0
Register	106,289	0	0	0	0	0
Sheriff	55,588	0	0	0	0	0
Trustee	230,134	0	0	0	0	0
Total Fees Received from County Officials	\$ 879,405	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,360	\$ 0	\$ 0	\$ 0	\$ 0	0
Aging Programs	15,215	0	0	0	0	0
State Reappraisal Grant	12,077	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	17,961	0	0	0	0	0
Other Public Safety Grants	50,000	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	0	125,426
Litter Program	28,084	0	0	0	0	0
Other Public Works Grants	0	0	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds					
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Highway / Public Works
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues</u>						
Flood Control	\$ 2,251	\$ 0	\$ 0	\$ 0	\$ 0	0
Income Tax	36,769	0	0	0	0	0
Beer Tax	17,212	0	0	0	0	0
Alcoholic Beverage Tax	25,902	0	0	0	0	0
State Revenue Sharing - T.V.A.	291,251	0	0	0	0	0
Contracted Prisoner Boarding	94,885	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,468,149
Petroleum Special Tax	0	0	0	0	0	14,248
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	655	0	9,500	0	0	0
Other State Revenues	4,404	0	0	0	0	0
Total State of Tennessee	\$ 622,406	\$ 0	\$ 9,500	\$ 0	\$ 0	1,607,823
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	50,878
Other Federal through State	72,065	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Police Service (Lake Area)	16,063	0	0	0	0	0
Public Safety Partnership and Community Policing - COPS	64,312	0	0	0	0	0
Other Direct Federal Revenue	400	0	0	0	0	0
Total Federal Government	\$ 152,840	\$ 0	\$ 0	\$ 0	\$ 0	50,878
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 66,800	\$ 0	\$ 0	\$ 0	\$ 0	0
Total Other Governments and Citizens Groups	\$ 66,800	\$ 0	\$ 0	\$ 0	\$ 0	0
Total	\$ 5,622,700	\$ 108,350	\$ 11,685	\$ 606,787	\$ 15,494	\$ 1,948,658

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds				Total
	General Debt Service	Education Debt Service	General Capital Projects	CDBG Waterline Projects	HUD Grant Projects	Community Projects	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 382,047	\$ 334,286	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,223,443
Trustee's Collections - Prior Year	18,030	15,776	0	0	0	0	127,244
Trustee's Collections - Bankruptcy	768	672	0	0	0	0	6,481
Circuit/Clerk & Master Collections - Prior Years	9,956	8,711	0	0	0	0	56,364
Interest and Penalty	2,943	2,576	0	0	0	0	21,397
Payments in-Lieu-of Taxes - T.V.A.	170	149	0	0	0	0	1,437
Payments in-Lieu-of Taxes - Other	0	0	0	0	0	0	12,652
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	410,393	0	0	0	0	980,956
Wheel Tax	0	880,938	0	0	0	0	880,938
Litigation Tax - General	0	0	0	0	0	0	124,787
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	67,959
Business Tax	0	0	0	0	0	0	97,467
Mineral Severance Tax	0	0	0	0	0	0	58,495
<u>Statutory Local Taxes</u>							
Bank Excise Tax	15,648	0	0	0	0	0	90,411
Wholesale Beer Tax	0	0	0	0	0	0	93,474
Interstate Telecommunications Tax	0	834	0	0	0	0	3,095
<b>Total Local Taxes</b>	<b>\$ 429,562</b>	<b>\$ 1,654,335</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,846,600</b>
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,061
<u>Permits</u>							
Beer Permits	0	0	0	0	0	0	1,250
Building Permits	0	0	0	0	0	0	83,450
<b>Total Licenses and Permits</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 94,761</b>
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 362
Jail Fees	0	0	0	0	0	0	412

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds				Total
	General Debt Service	Education Debt Service	General Capital Projects	CDBG Waterline Projects	HUD Grant Projects	Community Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Data Entry Fee - Circuit Court	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	498
<u>General Sessions Court</u>							
Fines	0	0	0	0	0	0	1,608
Game and Fish Fines	0	0	0	0	0	0	969
Drug Control Fines	0	0	0	0	0	0	14,650
Jail Fees	0	0	0	0	0	0	29,808
DUI Treatment Fines	0	0	0	0	0	0	6,457
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	9,279
Courtroom Security Fee	0	0	0	0	0	0	913
<u>Juvenile Court</u>							
Data Entry Fee - Juvenile Court	0	0	0	0	0	0	58
<u>Chancery Court</u>							
Officers Costs	0	0	0	0	0	0	3,186
Data Entry Fee - Chancery Court	0	0	0	0	0	0	688
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>68,888</b>
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	600,978
Other General Service Charges	0	0	0	0	0	0	200
<u>Fees</u>							
Copy Fees	0	0	0	0	0	0	7,380
Telephone Commissions	0	0	0	0	0	0	4,255
Data Processing Fee - Register	0	0	0	0	0	0	10,774
Data Processing Fee - Sheriff	0	0	0	0	0	0	3,303
<b>Total Charges for Current Services</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>626,890</b>
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	209,936
Lease/Rentals	4,800	0	0	0	0	0	9,910
Sale of Gasoline	0	0	0	0	0	0	3,363

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds				Total
	General Debt Service	Education Debt Service	General Capital Projects	CDBG Waterline Projects	HUD Grant Projects	Community Projects	
<u>Other Local Revenues (Cont.)</u>							
<u>Recurring Items (Cont.)</u>							
Miscellaneous Refunds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,500	\$ 1,200	\$ 15,213
<u>Nonrecurring Items</u>							
Sale of Equipment	0	0	0	0	0	0	30,766
Contributions & Gifts	0	0	0	0	0	0	1,000
<u>Other Local Revenues</u>							
Other Local Revenues	0	0	0	0	0	0	109,092
Total Other Local Revenues	\$ 4,800	\$ 0	\$ 0	\$ 0	\$ 2,500	\$ 1,200	\$ 379,280
<u>Fees Received from County Officials</u>							
<u>Fees-In-Lieu of Salary</u>							
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,428
Circuit Court Clerk	0	0	0	0	0	0	81,150
General Sessions Court Clerk	0	0	0	0	0	0	194,762
Clerk and Master	0	0	0	0	0	0	49,054
Register	0	0	0	0	0	0	106,289
Sheriff	0	0	0	0	0	0	55,588
Trustee	0	0	0	0	0	0	230,134
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 879,405
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,360
Aging Programs	0	0	0	0	0	0	15,215
State Reappraisal Grant	0	0	0	0	0	0	12,077
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	0	0	0	0	0	0	17,961
Other Public Safety Grants	0	0	0	0	0	0	50,000
<u>Public Works Grants</u>							
State Aid Program	0	0	0	0	0	0	125,426
Litter Program	0	0	0	0	0	0	28,084
Other Public Works Grants	0	0	0	178,648	0	0	178,648

(Continued)

Exhibit I-5

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

	Debt Service Funds		Capital Projects Funds				Total
	General Debt Service	Education Debt Service	General Capital Projects	CDBG Waterline Projects	HUD Grant Projects	Community Projects	
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues</u>							
Flood Control	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,251
Income Tax	0	0	0	0	0	0	36,769
Beer Tax	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	0	25,902
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	291,251
Contracted Prisoner Boarding	0	0	0	0	0	0	94,885
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,468,149
Petroleum Special Tax	0	0	0	0	0	0	14,248
Registrar's Salary Supplement	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	0	10,155
Other State Revenues	0	0	0	0	0	0	4,404
Total State of Tennessee	\$ 0	\$ 0	\$ 0	178,648	\$ 0	\$ 0	2,418,377
<u>Federal Government</u>							
<u>Federal Through State</u>							
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	50,878
Other Federal through State	0	0	5,937	0	0	0	78,002
<u>Direct Federal Revenue</u>							
Police Service (Lake Area)	0	0	0	0	0	0	16,063
Public Safety Partnership and Community Policing - COPS	0	0	0	0	0	0	64,312
Other Direct Federal Revenue	0	0	0	0	121,406	0	121,806
Total Federal Government	\$ 0	\$ 0	\$ 5,937	\$ 0	\$ 121,406	\$ 0	331,061
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 296,000	\$ 1,500	\$ 0	\$ 0	\$ 0	364,300
Total Other Governments and Citizens Groups	\$ 0	\$ 296,000	\$ 1,500	\$ 0	\$ 0	\$ 0	364,300
Total	\$ 434,362	\$ 1,950,335	\$ 7,437	\$ 178,648	\$ 123,906	\$ 1,200	\$ 11,009,562

Exhibit I-6

Smith County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Other Salaries & Wages	\$	358	
Board and Committee Members Fees		16,000	
Other Per Diem & Fees		5,556	
Social Security		1,205	
Audit Services		4,025	
Dues and Memberships		2,216	
Other Contracted Services		2,486	
Total County Commission			\$ 31,846

Board of Equalization

Board and Committee Members Fees	\$	1,700	
Total Board of Equalization			1,700

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Salary Supplements		800	
Secretary(ies)		46,000	
Overtime Pay		16	
Social Security		7,845	
State Retirement		5,399	
Medical Insurance		1,760	
Communication		5,423	
Dues and Memberships		1,200	
Maintenance & Repair Services - Office Equipment		96	
Travel		1,306	
Office Supplies		6,797	
Data Processing Equipment		7,780	
Total County Mayor/Executive			142,226

County Attorney

County Official/Administrative Officer	\$	47,801	
Total County Attorney			47,801

Election Commission

County Official/Administrative Officer	\$	42,541	
Clerical Personnel		21,566	
Election Commission		600	
Social Security		4,780	
State Retirement		3,333	
Advertising		313	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Communication	\$	843	
Postal Charges		2,562	
Printing, Stationery, and Forms		700	
Travel		336	
Office Supplies		1,387	
Vehicle and Equipment Insurance		1,150	
Other Charges		1,997	
Total Election Commission			\$ 82,108

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		42,018	
Data Processing Personnel		9,211	
Social Security		6,464	
State Retirement		4,275	
Medical Insurance		2,640	
Communication		451	
Dues and Memberships		398	
Office Supplies		7,030	
Premiums on Corporate Surety Bonds		275	
Total Register of Deeds			122,810

Planning

Other Per Diem & Fees	\$	3,075	
Dues and Memberships		8,500	
Total Planning			11,575

Codes Compliance

County Official/Administrative Officer	\$	38,975	
Deputy(ies)		12,555	
Social Security		3,942	
State Retirement		2,027	
Advertising		314	
Communication		1,113	
Maintenance & Repair Services - Vehicles		681	
Gasoline		879	
Office Supplies		1,731	
Office Equipment		1,379	
Total Codes Compliance			63,596

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Maintenance Personnel	\$	49,519	
Social Security		4,040	
State Retirement		1,793	
Medical Insurance		2,200	
Communication		796	
Contracts with Private Agencies		4,873	
Maintenance & Repair Services - Buildings		18,122	
Maintenance & Repair Services - Equipment		1,488	
Rentals		2,044	
Custodial Supplies		1,353	
Gasoline		8,923	
Utilities		108,751	
Other Supplies and Materials		5,912	
Building and Contents Insurance		10,085	
Building Improvements		24,268	
Total County Buildings			\$ 244,167

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		42,018	
Social Security		7,305	
State Retirement		4,787	
Advertising		95	
Communication		1,601	
Contracts with Government Agencies		8,630	
Dues and Memberships		1,080	
Postal Charges		3,300	
Travel		3,080	
Other Contracted Services		16,850	
Office Supplies		1,282	
Other Supplies and Materials		115	
Premiums on Corporate Surety Bonds		50	
Total Property Assessor's Office			140,241

Reappraisal Program

Deputy(ies)	\$	14,300	
Social Security		1,094	
Total Reappraisal Program			15,394

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		42,018	
Social Security		6,756	
State Retirement		4,787	
Advertising		16	
Communication		718	
Dues and Memberships		348	
Legal Notices, Recording, and Court Costs		140	
Postal Charges		3,550	
Office Supplies		2,494	
Data Processing Equipment		4,516	
Other Equipment		10,594	
Total County Trustee's Office			\$ 125,985

County Clerk's Office

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		82,922	
Part-time Personnel		960	
Overtime Pay		2,310	
Social Security		9,713	
State Retirement		7,063	
Medical Insurance		4,400	
Advertising		83	
Communication		1,715	
Dues and Memberships		448	
Postal Charges		2,780	
Printing, Stationery, and Forms		230	
Office Supplies		6,266	
Premiums on Corporate Surety Bonds		488	
Office Equipment		11,617	
Total County Clerk's Office			181,043

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		105,152	
Board and Committee Members Fees		400	
Jury and Witness Fees		7,867	
Social Security		11,346	
State Retirement		7,598	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Medical Insurance	\$	7,920	
Communication		2,955	
Dues and Memberships		348	
Postal Charges		2,075	
Office Supplies		11,145	
Premiums on Corporate Surety Bonds		775	
Data Processing Equipment		12,928	
Total Circuit Court			\$ 220,557

General Sessions Judge

Judge(s)	\$	61,684	
Social Security		4,723	
State Retirement		3,210	
Communication		813	
Travel		55	
Office Supplies		3	
Total General Sessions Judge			70,488

Chancery Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		21,566	
Social Security		5,330	
State Retirement		3,724	
Medical Insurance		2,640	
Communication		1,707	
Dues and Memberships		348	
Office Supplies		2,578	
Premiums on Corporate Surety Bonds		275	
Total Chancery Court			88,216

Juvenile Court

Assistant(s)	\$	4,200	
Total Juvenile Court			4,200

Judicial Commissioners

County Official/Administrative Officer	\$	15,000	
Social Security		1,143	
Travel		500	
Total Judicial Commissioners			16,643

(Continued)

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,052	
Deputy(ies)		230,496	
Detective(s)		59,668	
Captain(s)		31,182	
Sergeant(s)		142,726	
Paraprofessionals		16,632	
Salary Supplements		17,961	
Dispatchers/Radio Operators		106,509	
Guards		26,830	
Clerical Personnel		3,609	
Attendants		61,687	
School Resource Officer		57,824	
Overtime Pay		174,518	
Other Salaries & Wages		31,652	
In-Service Training		8,958	
Social Security		78,834	
State Retirement		50,291	
Medical Insurance		25,520	
Advertising		102	
Communication		18,740	
Confidential Drug Enforcement Payments		29,398	
Dues and Memberships		1,200	
Maintenance & Repair Services - Office Equipment		1,371	
Maintenance & Repair Services - Vehicles		128,019	
Medical and Dental Services		597	
Travel		431	
Gasoline		87,765	
Office Supplies		6,138	
Uniforms		11,792	
Liability Insurance		14,382	
Premiums on Corporate Surety Bonds		4,500	
Vehicle and Equipment Insurance		10,118	
Principal on Capital Leases		59,479	
Interest on Capital Leases		836	
Data Processing Equipment		2,950	
Law Enforcement Equipment		8,462	
Motor Vehicles		225,441	
Other Equipment		4,264	
Total Sheriff's Department			\$ 1,795,934

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Traffic Control

Traffic Control Equipment	\$ 889	
Total Traffic Control		\$ 889

Jail

Cafeteria Personnel	\$ 65,931	
Overtime Pay	3,757	
Social Security	4,571	
State Retirement	2,477	
Medical and Dental Services	159,556	
Custodial Supplies	5,974	
Food Supplies	65,887	
Other Supplies and Materials	4,552	
Total Jail		312,705

Correctional Incentive Program Improvements

Deputy(ies)	\$ 340,903	
Overtime Pay	64,903	
Social Security	29,854	
State Retirement	15,447	
Medical Insurance	16,500	
Total Correctional Incentive Program Improvements		467,607

Juvenile Services

Youth Service Officer(s)	\$ 24,400	
In-Service Training	740	
Social Security	1,911	
State Retirement	1,269	
Communication	667	
Travel	51	
Drugs and Medical Supplies	149	
Office Supplies	327	
Other Charges	578	
Total Juvenile Services		30,092

Fire Prevention and Control

Other Salaries & Wages	\$ 65,767	
Advertising	51	
Maintenance & Repair Services - Equipment	164	
Maintenance & Repair Services - Vehicles	9,506	
Rentals	1,500	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Gasoline	\$	4,719	
Office Supplies		135	
Utilities		11,065	
Vehicle and Equipment Insurance		13,700	
Other Charges		4,044	
Motor Vehicles		59,636	
Other Equipment		12,493	
Total Fire Prevention and Control	\$		182,780

Civil Defense

Communication	\$	393	
Contributions		17,000	
Maintenance & Repair Services - Vehicles		298	
Gasoline		478	
Other Equipment		54,899	
Total Civil Defense			73,068

Other Emergency Management

Supervisor/Director	\$	15,000	
Social Security		1,147	
Communication		1,627	
Maintenance & Repair Services - Vehicles		740	
Gasoline		1,265	
Office Supplies		110	
Other Supplies and Materials		1,566	
Office Equipment		855	
Other Equipment		10,368	
Total Other Emergency Management			32,678

Inspection and Regulation

Supervisor/Director	\$	2,400	
Social Security		184	
Total Inspection and Regulation			2,584

County Coroner/Medical Examiner

Other Contracted Services	\$	37,272	
Total County Coroner/Medical Examiner			37,272

Other Public Safety

Deputy(ies)	\$	6,000	
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(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Dispatchers/Radio Operators	\$	107,543	
Longevity Pay		1,900	
Overtime Pay		13,315	
Social Security		9,698	
State Retirement		6,000	
Medical Insurance		4,400	
Total Other Public Safety			\$ 148,856

Public Health and Welfare

Local Health Center

Communication	\$	1,186	
Dues and Memberships		100	
Maintenance & Repair Services - Buildings		4,008	
Custodial Supplies		982	
Drugs and Medical Supplies		171	
Office Supplies		1,364	
Utilities		10,975	
Other Charges		571	
Total Local Health Center			19,357

Crippled Children Services

Contributions	\$	1,272	
Total Crippled Children Services			1,272

Other Local Health Services

Contributions	\$	6,964	
Total Other Local Health Services			6,964

Appropriation to State

Contracts with Government Agencies	\$	12,500	
Total Appropriation to State			12,500

Aid to Dependent Children

Other Supplies and Materials	\$	2,883	
Total Aid to Dependent Children			2,883

Other Local Welfare Services

Contributions	\$	5,000	
Total Other Local Welfare Services			5,000

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup

Supervisor/Director	\$	25,095	
Social Security		1,920	
Gasoline		2,853	
Other Charges		2,583	
Total Waste Pickup			\$ 32,451

Other Public Health and Welfare

Other Salaries & Wages	\$	3,340	
Social Security		256	
Travel		344	
Total Other Public Health and Welfare			3,940

Social, Cultural, and Recreational Services

Adult Activities

Other Salaries & Wages	\$	3,337	
Social Security		255	
Other Charges		140	
Total Adult Activities			3,732

Senior Citizens Assistance

Supervisor/Director	\$	20,452	
Social Security		1,445	
State Retirement		1,064	
Medical Insurance		2,640	
Travel		850	
Office Supplies		352	
Utilities		7,869	
Other Supplies and Materials		698	
Total Senior Citizens Assistance			35,370

Libraries

Contributions	\$	58,600	
Total Libraries			58,600

Parks and Fair Boards

Communication	\$	556	
Other Supplies and Materials		2,441	
Other Charges		17,251	
Building Improvements		20,910	
Total Parks and Fair Boards			41,158

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

Sand	\$	2,834	
Other Supplies and Materials		4,096	
Site Development		5,660	
Total Other Social, Cultural, and Recreational			\$ 12,590

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	26,637	
Secretary(ies)		6,360	
Social Security		2,148	
State Retirement		3,660	
Communication		2,660	
Rentals		7,140	
Other Charges		3,500	
Total Agriculture Extension Service			52,105

Soil Conservation

Other Contracted Services	\$	8,900	
Total Soil Conservation			8,900

Other Operations

Tourism

Contributions	\$	300	
Total Tourism			300

Industrial Development

Advertising	\$	2,200	
Dues and Memberships		20	
Office Supplies		1,194	
Total Industrial Development			3,414

Other Economic and Community Development

Contributions	\$	27,467	
Total Other Economic and Community Development			27,467

Veterans' Services

Supervisor/Director	\$	5,852	
Social Security		448	
State Retirement		40	
Communication		152	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Travel	\$	122	
Office Supplies		<u>1,491</u>	
Total Veterans' Services	\$		8,105

Employee Benefits

Longevity Pay	\$	16,600	
Social Security		1,619	
State Retirement		1,094	
Life Insurance		1,966	
Unemployment Compensation		12,045	
Other Fringe Benefits		4,982	
Workers' Compensation Insurance		<u>47,711</u>	
Total Employee Benefits			86,017

Miscellaneous

Other Salaries & Wages	\$	500	
Social Security		38	
State Retirement		26	
Contributions		15,100	
Dues and Memberships		2,095	
Fiscal Agent Charges		15,379	
Operating Lease Payments		9,123	
Printing, Stationery, and Forms		468	
Other Supplies and Materials		3,037	
Liability Insurance		62,958	
Premiums on Corporate Surety Bonds		4,213	
Trustee's Commission		66,402	
Vehicle and Equipment Insurance		201	
Other Charges		104,167	
Bridge Construction		11,800	
Building Construction		37,694	
Motor Vehicles		<u>2,300</u>	
Total Miscellaneous			<u>335,501</u>

Total General Fund \$ 5,452,687

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$	33,619	
---	----	--------	--

(Continued)

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

Courthouse & Jail Maintenance Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Building Improvements	\$ 1,068	
Site Development	1,303	
Total County Buildings		\$ 35,990

Other Operations

Miscellaneous

Trustee's Commission	\$ 983	
Total Miscellaneous		983

Total Courthouse & Jail Maintenance Fund \$ 36,973

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Overtime Pay	\$ 1,367	
Other Salaries & Wages	46,733	
Social Security	3,568	
State Retirement	2,197	
Medical Insurance	3,004	
Maintenance & Repair Services - Equipment	17,505	
Gasoline	38,009	
Other Supplies and Materials	419	
Total Waste Pickup		\$ 112,802

Convenience Centers

Other Salaries & Wages	\$ 100,803	
Social Security	7,711	
Communication	3,178	
Rentals	6,874	
Utilities	4,850	
Other Supplies and Materials	3,828	
Site Development	34,849	
Other Equipment	16,735	
Total Convenience Centers		178,828

Other Waste Disposal

Trustee's Commission	\$ 22	
Total Other Waste Disposal		22

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Employee Benefits

Longevity Pay	\$	350	
Social Security		27	
State Retirement		18	
Total Employee Benefits			\$ 395

Total Solid Waste/Sanitation Fund \$ 292,047

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Medical Personnel	\$	350,712	
Longevity Pay		3,500	
Overtime Pay		68,612	
In-Service Training		2,435	
Social Security		31,336	
State Retirement		17,011	
Medical Insurance		17,515	
Communication		10,906	
Laundry Service		3,486	
Licenses		767	
Maintenance & Repair Services - Equipment		5,144	
Maintenance & Repair Services - Vehicles		19,569	
Printing, Stationery, and Forms		380	
Custodial Supplies		3,054	
Drugs and Medical Supplies		25,963	
Gasoline		30,018	
Office Supplies		4,423	
Uniforms		6,517	
Utilities		14,445	
Other Supplies and Materials		6,693	
Building and Contents Insurance		1,304	
Liability Insurance		12,673	
Premiums on Corporate Surety Bonds		250	
Refunds		1,843	
Trustee's Commission		6,373	
Vehicle and Equipment Insurance		12,577	
Workers' Compensation Insurance		26,356	
Building Improvements		2,271	
Motor Vehicles		68,605	
Total Ambulance/Emergency Medical Services			\$ 754,738

Total Ambulance Service Fund 754,738

(Continued)

Exhibit I-6

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

Drug Control Fund

Public Safety

Sheriff's Department

Instructional Supplies and Materials	\$	1,633	
Law Enforcement Equipment		<u>1,633</u>	
Total Sheriff's Department	\$		3,266

Drug Enforcement

Trustee's Commission	\$	<u>7</u>	
Total Drug Enforcement			<u>7</u>

Total Drug Control Fund \$ 3,273

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Accountants/Bookkeepers		30,632	
Overtime Pay		916	
Other Salaries & Wages		23,426	
Other Per Diem & Fees		650	
Advertising		1,062	
Communication		4,007	
Data Processing Services		4,051	
Dues and Memberships		2,669	
Maintenance & Repair Services - Office Equipment		4,027	
Medical and Dental Services		1,162	
Postal Charges		421	
Printing, Stationery, and Forms		313	
Drugs and Medical Supplies		243	
Electricity		3,858	
Natural Gas		5,328	
Office Supplies		4,911	
Water and Sewer		252	
Other Charges		1,880	
Data Processing Equipment		219	
Office Equipment		<u>210</u>	
Total Administration	\$		145,289

Highway and Bridge Maintenance

Foremen	\$	40,391	
Equipment Operators		132,052	
Truck Drivers		60,636	

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	135,455	
Overtime Pay		1,859	
Other Contracted Services		93,499	
Asphalt - Cold Mix		45,413	
Asphalt - Liquid		43,931	
Concrete		445	
Crushed Stone		133,874	
Pipe		26,372	
Road Signs		1,560	
Salt		978	
Wood Products		5,545	
Other Charges		2,975	
Total Highway and Bridge Maintenance	\$		724,985

Operation and Maintenance of Equipment

Mechanic(s)	\$	52,713	
Overtime Pay		219	
Freight Expenses		728	
Maintenance & Repair Services - Equipment		1,783	
Custodial Supplies		4,182	
Diesel Fuel		57,203	
Equipment and Machinery Parts		46,904	
Garage Supplies		2,197	
Gasoline		50,730	
Lubricants		1,260	
Small Tools		2,898	
Tires and Tubes		8,523	
Vehicle Parts		26,356	
Other Charges		358	
Total Operation and Maintenance of Equipment			256,054

Other Charges

Contributions	\$	2,100	
Building and Contents Insurance		238	
Liability Insurance		534	
Trustee's Commission		18,488	
Vehicle and Equipment Insurance		11,962	
Workers' Compensation Insurance		75,652	
Total Other Charges			108,974

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	40,801	
State Retirement		27,088	
Employee and Dependent Insurance		244,792	
Unemployment Compensation		4,696	
Total Employee Benefits			\$ 317,377

Capital Outlay

Highway Equipment	\$	500	
Motor Vehicles		25,000	
State Aid Projects		159,820	
Total Capital Outlay			185,320

Principal on Debt

Highways and Streets

Principal on Notes	\$	133,333	
Principal on Capital Leases		52,539	
Total Highways and Streets			185,872

Interest on Debt

Highways and Streets

Interest on Notes	\$	6,663	
Interest on Capital Leases		2,608	
Total Highways and Streets			9,271

Total Highway/Public Works Fund \$ 1,933,142

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	2,410	
Principal on Notes		207,742	
Principal on Other Loans		49,000	
Total General Government			\$ 259,152

Interest on Debt

General Government

Interest on Bonds	\$	2,802	
Interest on Notes		11,178	
Interest on Other Loans		27,352	
Total General Government			41,332

(Continued)

Exhibit I-6

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Bank Charges	\$	195	
Trustee's Commission		8,335	
Land		<u>73,161</u>	
Total General Government			<u>\$ 81,691</u>

Total General Debt Service Fund \$ 382,175

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	<u>850,000</u>	
Total Education			\$ 850,000

Interest on Debt

Education

Interest on Bonds	\$	<u>969,862</u>	
Total Education			969,862

Other Debt Service

Education

Bank Charges	\$	1,045	
Trustee's Commission		<u>19,298</u>	
Total Education			<u>20,343</u>

Total Education Debt Service Fund 1,840,205

General Capital Projects Fund

Capital Projects

Social, Cultural, and Recreation Projects

Engineering Services	\$	4,550	
Freight Expenses		525	
Legal Services		760	
Other Contracted Services		52,658	
Concrete		1,050	
Crushed Stone		53,422	
Diesel Fuel		568	
Riprap		<u>974</u>	

Total Social, Cultural, and Recreation Projects \$ 114,507

Total General Capital Projects Fund 114,507

(Continued)

Exhibit I-6

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

<u>Other Capital Projects Fund</u>		
<u>Other Operations</u>		
<u>Miscellaneous</u>		
Building Construction	\$       65	
Total Miscellaneous		\$       65
Total Other Capital Projects Fund		\$       65
 <u>CDBG Waterline Projects Fund</u>		
<u>Other Operations</u>		
<u>Miscellaneous</u>		
Engineering Services	\$    31,517	
Other Charges	14,900	
Other Capital Outlay	<u>142,341</u>	
Total Miscellaneous		<u>\$   188,758</u>
Total CDBG Waterline Projects Fund		188,758
 <u>HUD Grant Projects Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Other Charges	\$   121,406	
Total Housing and Urban Development		<u>\$   121,406</u>
Total HUD Grant Projects Fund		121,406
 <u>Community Projects Fund</u>		
<u>Capital Projects</u>		
<u>Social, Cultural, and Recreation Projects</u>		
Architects	\$     39,188	
Engineering Services	11,504	
Other Contracted Services	4,976	
Other Debt Service	8,750	
Building Construction	<u>22,821</u>	
Total Social, Cultural, and Recreation Projects		<u>\$     87,239</u>
Total Community Projects Fund		<u>87,239</u>
Total Governmental Funds - Primary Government		<u><u>\$ 11,207,215</u></u>

Exhibit I-7

Smith County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2006

	Primary Government Enterprise Fund Solid Waste Disposal
<hr/>	
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Tipping Fees	\$ 1,046,574
<u>Other Local Revenues</u>	
Sale of Recycled Materials	25,516
Miscellaneous Refunds	28,805
Total Operating Revenue	<u>\$ 1,100,895</u>
<u>Nonoperating Revenues</u>	
Gain on Disposal of Property	\$ 40,786
Grants	16,201
Total Nonoperating Revenue	<u>\$ 56,987</u>
Total Revenues	<u><u>\$ 1,157,882</u></u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 35,500
Salary Supplements	400
Longevity Pay	850
Overtime Pay	2,272
Other Salaries and Wages	177,697
In-Service Training	740
Social Security	16,169
State Retirement	9,069
Medical Insurance	10,120
Advertising	294
Communication	1,394
Contracts with Private Agencies	348
Engineering Services	99,404
Legal Services	5,860
Maintenance and Repair Services - Equipment	64,130
Rentals	536
Other Contracted Services	89,480
Gasoline	93,194
Office Supplies	289
Utilities	5,782
Other Supplies and Materials	50,438
Building and Contents Insurance	2,676

(Continued)

Exhibit I-7

Smith County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund (Cont.)

	<u>Primary</u> <u>Government</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal</u>
<hr/>	
<u>Expenses (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance (Cont.)</u>	
Trustee's Commission	\$ 11,097
Vehicle and Equipment Insurance	5,765
Workers' Compensation Insurance	33,235
Depreciation	263,454
Landfill Closure/Postclosure Care Costs	155,176
Total Operating Expenses	<u>\$ 1,135,369</u>
<u>Nonoperating Expenses</u>	
Interest on Capital Lease	\$ 495
Interest on Notes	48,216
Total Nonoperating Expenses	<u>\$ 48,711</u>
Total Expenses	<u><u>\$ 1,184,080</u></u>

Exhibit I-8

Smith County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 932,194
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 922,872
Trustee's Commission	9,322
Total Cash Disbursements	<u>\$ 932,194</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u><u>\$ 0</u></u>

**ANNUAL FINANCIAL REPORT**  
**SMITH COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF SMITH COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

*CHRISTY N. TENNANT, CPA*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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**SMITH COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF SMITH COUNTY, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
Smith County School Department  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the basic financial statements of the Smith County School Department as of and for the year ended June 30, 2006.

## ***Results***

Our report on the Smith County School Department's financial statements is unqualified.

Our audit resulted in four findings and recommendations, which we have reviewed with Smith County School Department management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **SMITH COUNTY SCHOOL DEPARTMENT**

- ◆ Competitive bids were not solicited for insurance coverage.
- ◆ Inventories were not verified by personnel independent of maintaining the inventory records. The School Department did not have policies to ensure that newly acquired assets were added to the inventory and did not adequately identify the assets by serial number or detailed descriptions.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

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## INTRODUCTORY SECTION

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Smith County School Officials  
June 30, 2006

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**Official**

Roger Lewis, Director of Schools

**Board of Education**

Scotty Yeaman, Chairman

Hal Givens

Jason Hall

Terry Hunt

Tommy Manning

Pat Massey

Rick Shoulders

Larry Taylor Wilkerson

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

December 12, 2006

Smith County Director of Schools and  
Board of Education  
Smith County, Tennessee

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Smith County School Department, a component unit of Smith County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise the Smith County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Smith County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Smith County School Department as of June 30, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2006, on our consideration of the Smith County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

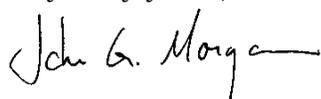
As described in Note V.B., the Smith County School Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments effective July 1, 2005.

The management of the Smith County School Department did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 37 through 39 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Smith County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Smith County, Tennessee  
Statement of Net Assets  
Smith County School Department  
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 2,835,390
Accounts Receivable	349
Due from Other Governments	550,169
Property Taxes Receivable	2,733,068
Allowance for Uncollectible Property Taxes	(107,764)
Assets Not Depreciated:	
Land	1,076,738
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	31,920,275
Infrastructure	119,056
Other Capital Assets	1,137,803
Total Assets	<u>\$ 40,265,084</u>

<u>LIABILITIES</u>	
Accounts Payable	\$ 53,558
Accrued Payroll	88,493
Payroll Deductions Payable	386,233
Deferred Revenue - Current Property Taxes	2,510,256
Noncurrent Liabilities:	
Due Within One Year	17,080
Due In More Than One Year	26,659
Total Liabilities	<u>\$ 3,082,279</u>

<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 34,253,872
Restricted for:	
Capital Projects	45,075
Other Purposes	2,211,690
Unrestricted	672,168
Total Net Assets	<u>\$ 37,182,805</u>

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

Exhibit B

Smith County, Tennessee  
Statement of Activities  
Smith County School Department  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 12,501,053	\$ 19,067	\$ 1,240,613	\$ (11,241,373)
Support Services	5,804,776	20,720	130,519	(5,653,537)
Operation of Non-Instructional Services	1,677,487	678,460	813,484	(185,543)
Other Debt Service	296,000	0	0	(296,000)
<b>Total Governmental Activities</b>	<b>\$ 20,279,316</b>	<b>\$ 718,247</b>	<b>\$ 2,184,616</b>	<b>\$ (17,376,453)</b>
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 2,553,567
Local option sales tax				1,096,818
Other local taxes				3,987
Grants & contributions not restricted for specific programs				13,134,587
Interest income				5,210
Miscellaneous				47,193
<b>Total General Revenues</b>				<b>\$ 16,841,362</b>
Change in Net Assets				\$ (535,091)
Net assets, July 1, 2005				37,717,896
Net assets, June 30, 2006				<b>\$ 37,182,805</b>

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

Exhibit C-1

Smith County, Tennessee  
Balance Sheet - Governmental Funds  
Smith County School Department  
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 2,415,332	\$ 420,058	\$ 2,835,390
Accounts Receivable	0	349	349
Due from Other Governments	241,577	308,592	550,169
Due from Other Funds	24,213	6,715	30,928
Property Taxes Receivable	2,733,068	0	2,733,068
Allowance for Uncollectible Property Taxes	(107,764)	0	(107,764)
<b>Total Assets</b>	<b>\$ 5,306,426</b>	<b>\$ 735,714</b>	<b>\$ 6,042,140</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 44,353	\$ 9,205	\$ 53,558
Accrued Payroll	1,138	87,355	88,493
Payroll Deductions Payable	373,491	12,742	386,233
Due to Other Funds	6,715	24,213	30,928
Deferred Revenue - Current Property Taxes	2,510,256	0	2,510,256
Deferred Revenue - Delinquent Property Taxes	98,390	0	98,390
Other Deferred Revenues	120,023	0	120,023
<b>Total Liabilities</b>	<b>\$ 3,154,366</b>	<b>\$ 133,515</b>	<b>\$ 3,287,881</b>
<b><u>Fund Balances</u></b>			
Reserved for Encumbrances	\$ 43,783	\$ 9,036	\$ 52,819
Reserved for Vocational Projects	194,156	0	194,156
Reserved for Career Ladder - Extended Contract	86,902	0	86,902
Reserved for Career Ladder Program	6,283	0	6,283
Reserved for Basic Education Program	1,367,225	0	1,367,225
Reserved for Title I Grants to Local Education Agencies	0	72,573	72,573
Reserved for Innovative Education Program Strategies	0	7,174	7,174
Reserved for Special Education - Grants to States	0	109,086	109,086
Other Federal Reserves	0	39,548	39,548
Unreserved, Reported In:			
General Fund	453,711	0	453,711
Special Revenue Funds	0	319,707	319,707
Capital Projects Funds	0	45,075	45,075
<b>Total Fund Balances</b>	<b>\$ 2,152,060</b>	<b>\$ 602,199</b>	<b>\$ 2,754,259</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,306,426</b>	<b>\$ 735,714</b>	<b>\$ 6,042,140</b>

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

Exhibit C-2

Smith County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
Smith County School Department  
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,754,259
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,076,738	
Add: infrastructure net of accumulated depreciation		119,056	
Add: buildings and improvements net of accumulated depreciation		31,920,275	
Add: other fixed assets net of accumulated depreciation		<u>1,137,803</u>	34,253,872
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: compensated absences payable			(43,739)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>218,413</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>37,182,805</u></u>

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

Exhibit D-1

Smith County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Smith County School Department  
For the Year Ended June 30, 2006

	<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	\$ 3,729,722	\$ 0	\$ 3,729,722
Licenses and Permits	1,520	0	1,520
Charges for Current Services	29,053	678,065	707,118
Other Local Revenues	72,314	6,221	78,535
State of Tennessee	12,853,435	20,624	12,874,059
Federal Government	50,008	2,214,476	2,264,484
Total Revenues	<u>\$ 16,736,052</u>	<u>\$ 2,919,386</u>	<u>\$ 19,655,438</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 10,447,613	\$ 1,099,747	\$ 11,547,360
Support Services	5,579,936	399,990	5,979,926
Operation of Non-Instructional Services	210,909	1,378,478	1,589,387
Capital Outlay	593,581	0	593,581
Debt Service:			
Other Debt Service	296,000	0	296,000
Total Expenditures	<u>\$ 17,128,039</u>	<u>\$ 2,878,215</u>	<u>\$ 20,006,254</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (391,987)</u>	<u>\$ 41,171</u>	<u>\$ (350,816)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 24,694	\$ 6,715	\$ 31,409
Transfers Out	(6,715)	(24,694)	(31,409)
Total Other Financing Sources (Uses)	<u>\$ 17,979</u>	<u>\$ (17,979)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (374,008)	\$ 23,192	\$ (350,816)
Fund Balance, July 1, 2005	<u>2,526,068</u>	<u>579,007</u>	<u>3,105,075</u>
Fund Balance, June 30, 2006	<u>\$ 2,152,060</u>	<u>\$ 602,199</u>	<u>\$ 2,754,259</u>

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

Exhibit D-2

Smith County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Smith County School Department  
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit D-1)		\$	(350,816)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those 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	\$	773,357	
Less: current year depreciation		<u>(943,482)</u>	(170,125)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: loss on disposal of capital assets	\$	(5,227)	
Less: proceeds received from disposal of capital assets		<u>(2,900)</u>	(8,127)
(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, 2006	\$	218,413	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(213,997)</u>	4,416
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in compensated absences			<u>(10,439)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(535,091)</u>

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

**SMITH COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF SMITH COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The Smith County School Department operates the public school system in the county, and the voters of Smith County elect its board. The School Department is a component unit of Smith County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the Smith 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.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report.

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.

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. 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 the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

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.

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. The School Department 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.

Property taxes for the year 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 School Department receives cash.

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

**Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for financial resources to be used in the acquisition or construction of major 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they become available.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

State statutes authorize Smith County, the School Department's primary 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds of Smith County and the School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund. Smith County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but

nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.11 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the

following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, and similar assets), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$25,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Other Capital Assets	5-15
Infrastructure	20-40

**4. Compensated Absences**

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end for professional personnel. However, the School Department's policy does permit non-certified personnel to accumulate earned but unused vacation benefits. All professional personnel (teachers) and non-certified employees of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded. All non-certified employees' vacation pay is accrued when incurred in the government-wide financial statements for the School 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.

## **5. Net Assets and Fund Equity**

In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

On the government-wide statement of net assets (Exhibit A), the account balance in Restricted for Other Purposes (\$2,211,690) consists of restrictions for state and federal assistance programs, primarily the Basic Education Program (\$1,367,225).

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

### **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**

Exhibit D-2 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the capital projects fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The School Department 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 Smith 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 State 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 Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Smith County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

#### B. Expenditures and Encumbrances Exceeded Appropriations

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Instruction – Adult Education Program major appropriation category (the legal level of control) of the School Federal Projects Fund by \$15,645. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by other expenditures being below estimates.

### IV. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

Smith County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving,

disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments.

### **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.** Smith County, the School Department's primary government, is 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The county had no pooled investments as of June 30, 2006, and the School Department had no interest in the nonpooled investments held by the Clerk and Master's Office.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,076,738	\$ 0	\$ 0	\$ 1,076,738
Capital Assets Depreciated:				
Buildings and Improvements	\$ 36,574,516	\$ 647,151	\$ 0	\$ 37,221,667
Infrastructure	129,000	0	0	129,000
Other Capital Assets	1,894,264	126,206	(129,022)	1,891,448
Total Capital Assets Depreciated	\$ 38,597,780	\$ 773,357	\$ (129,022)	\$ 39,242,115
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 4,479,321	\$ 822,071	\$ 0	\$ 5,301,392
Infrastructure	6,719	3,225	0	9,944
Other Capital Assets	756,354	118,186	(120,895)	753,645
Total Accumulated Depreciation	\$ 5,242,394	\$ 943,482	\$ (120,895)	\$ 6,064,981
Total Capital Assets Depreciated, Net	\$ 33,355,386	\$ (170,125)	\$ (8,127)	\$ 33,177,134
Governmental Activities Capital Assets, Net	\$ 34,432,124	\$ (170,125)	\$ (8,127)	\$ 34,253,872

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 813,162
Support Services	<u>130,320</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 943,482</u></u>

**C. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 24,213
Nonmajor governmental	General Purpose School	6,715

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	Nonmajor Govern- mental Funds
General Purpose School Fund	\$ 24,694	\$ 6,715
Nonmajor governmental funds	<u>6,715</u>	<u>24,694</u>
Total	<u><u>\$ 31,409</u></u>	<u><u>\$ 31,409</u></u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**D. Long-term Debt**

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Compensated Absences</u>
Balance, July 1, 2005	54,178
Additions	0
Deductions	<u>(10,439)</u>
Balance, June 30, 2006	<u>\$ 43,739</u>
Balance Due Within One Year	<u>\$ 17,080</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects Funds.

**V. OTHER INFORMATION**

**A. Risk Management**

It is the policy of the School Department to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, and casualty. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The School Department is a member of the Tennessee School Boards Risk Management Trust, a public entity risk pool established by the Tennessee School Boards Association. The School Department pays annual premiums to the pool for its workers' compensation insurance coverage. The creation of this pool provides for it to be self-sustaining through member premiums.

The School Department provides health insurance to its employees through 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 were 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, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual 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.

**B. Accounting Changes**

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board (GASB) Statement

No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement No. 34 that related to the fund financial statements.

The provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Smith County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year’s report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Smith County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The

School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Contingent Liabilities**

There are several pending lawsuits in which the School Department is involved. The School Department's attorney estimates that the potential claims against the department not covered by insurance resulting from such litigation would not materially affect the School Department's financial statements.

**D. Retirement Commitments**

**Plan Description**

Employees of Smith County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Smith County participate in the TCRS as individual entities and are liable for all costs associated with the operation and

administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Since the Smith County School Department participates in Smith County's plan, retirement information for the Smith County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.H. of the Annual Financial Report of Smith County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson

Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Smith County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2006, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Smith County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004, were \$533,474, \$511,897, and \$294,566, respectively, equal to the required contributions for each year.

### **E. Purchasing Law**

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Smith County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,729,722	\$ 0	\$ 0	\$ 3,729,722	\$ 3,744,500	\$ 3,744,500	\$ (14,778)
Licenses and Permits	1,520	0	0	1,520	2,000	2,000	(480)
Charges for Current Services	29,053	0	0	29,053	25,000	25,000	4,053
Other Local Revenues	72,314	0	0	72,314	45,200	147,200	(74,886)
State of Tennessee	12,853,435	0	0	12,853,435	12,565,300	12,919,079	(65,644)
Federal Government	50,008	0	0	50,008	0	56,000	(5,992)
Total Revenues	\$ 16,736,052	\$ 0	\$ 0	\$ 16,736,052	\$ 16,382,000	\$ 16,893,779	\$ (157,727)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,851,013	\$ (36,934)	\$ 37,909	\$ 8,851,988	\$ 9,517,700	\$ 9,120,985	\$ 268,997
Alternative Instruction Program	47,033	0	0	47,033	52,230	49,230	2,197
Special Education Program	956,438	0	0	956,438	1,032,350	983,350	26,912
Vocational Education Program	593,129	0	0	593,129	615,300	601,300	8,171
<u>Support Services</u>							
Attendance	102,428	0	0	102,428	115,530	115,530	13,102
Health Services	98,310	0	0	98,310	116,890	105,890	7,580
Other Student Support	385,667	0	0	385,667	479,880	417,880	32,213
Regular Instruction Program	412,713	(150)	4,020	416,583	493,820	466,820	50,237
Special Education Program	140,442	0	120	140,562	167,140	152,240	11,678
Vocational Education Program	66,271	0	60	66,331	74,820	72,720	6,389
Adult Programs	1,131	0	0	1,131	1,200	1,200	69
Board of Education	388,473	0	0	388,473	325,200	391,500	3,027
Director of Schools	118,691	0	60	118,751	126,880	126,880	8,129
Office of the Principal	1,016,164	0	0	1,016,164	1,046,320	1,028,320	12,156
Fiscal Services	159,911	0	0	159,911	209,550	194,250	34,339

(Continued)

Exhibit E

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,338,388	\$ 0	\$ 0	\$ 1,338,388	\$ 1,312,710	\$ 1,426,710	\$ 88,322
Maintenance of Plant	372,069	(230)	0	371,839	382,590	402,790	30,951
Transportation	979,278	0	0	979,278	957,850	1,007,050	27,772
<u>Operation of Non-Instructional Services</u>							
Food Service	1,160	0	0	1,160	1,160	1,160	0
Community Services	44,491	0	0	44,491	47,840	47,840	3,349
Early Childhood Education	165,258	0	1,614	166,872	0	170,778	3,906
<u>Capital Outlay</u>							
Regular Capital Outlay	593,581	(371,169)	0	222,412	266,000	566,000	343,588
<u>Principal on Debt</u>							
Education	0	0	0	0	296,000	0	0
<u>Other Debt Service</u>							
Education	296,000	0	0	296,000	0	296,000	0
Total Expenditures	\$ 17,128,039	\$ (408,483)	\$ 43,783	\$ 16,763,339	\$ 17,638,960	\$ 17,746,423	\$ 983,084
Excess (Deficiency) of Revenues Over Expenditures	\$ (391,987)	\$ 408,483	\$ (43,783)	\$ (27,287)	\$ (1,256,960)	\$ (852,644)	\$ 825,357
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 24,694	\$ 0	\$ 0	\$ 24,694	\$ 10,000	\$ 20,000	\$ 4,694
Transfers Out	(6,715)	0	0	(6,715)	0	(6,715)	0
Total Other Financing Sources (Uses)	\$ 17,979	\$ 0	\$ 0	\$ 17,979	\$ 10,000	\$ 13,285	\$ 4,694
Net Change in Fund Balance	\$ (374,008)	\$ 408,483	\$ (43,783)	\$ (9,308)	\$ (1,246,960)	\$ (839,359)	\$ 830,051
Fund Balance, July 1, 2005	2,526,068	(408,483)	0	2,117,585	2,601,731	2,601,731	(484,146)
Fund Balance, June 30, 2006	\$ 2,152,060	\$ 0	\$ (43,783)	\$ 2,108,277	\$ 1,354,771	\$ 1,762,372	\$ 345,905

**SMITH COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF SMITH COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2006**

**BUDGETARY INFORMATION**

The School Department 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 Smith 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 State 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 Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Smith County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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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.

## Capital Projects Fund

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Capital Projects Funds are used to account for financial resources to be used in the acquisition or construction of major capital projects.

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Education Capital Projects Fund – The Education Capital Projects Fund is used to account for expenditures related to the renovation and construction of school buildings.

Exhibit F-1

Smith County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Smith County School Department  
June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>	<u>Governmental</u>
				<u>Projects</u>	<u>Funds</u>
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 55,511	\$ 319,472	\$ 374,983	\$ 45,075	\$ 420,058
Accounts Receivable	0	349	349	0	349
Due from Other Governments	308,592	0	308,592	0	308,592
Due from Other Funds	6,715	0	6,715	0	6,715
Total Assets	<u>\$ 370,818</u>	<u>\$ 319,821</u>	<u>\$ 690,639</u>	<u>\$ 45,075</u>	<u>\$ 735,714</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 9,091	\$ 114	\$ 9,205	\$ 0	\$ 9,205
Accrued Payroll	87,355	0	87,355	0	87,355
Payroll Deductions Payable	12,742	0	12,742	0	12,742
Due to Other Funds	24,213	0	24,213	0	24,213
Total Liabilities	<u>\$ 133,401</u>	<u>\$ 114</u>	<u>\$ 133,515</u>	<u>\$ 0</u>	<u>\$ 133,515</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 9,036	\$ 0	\$ 9,036	\$ 0	\$ 9,036
Reserved for Title I Grants to Local Education Agencies	72,573	0	72,573	0	72,573
Reserved for Innovative Education Program Strategies	7,174	0	7,174	0	7,174
Reserved for Special Education - Grants to States	109,086	0	109,086	0	109,086
Other Federal Reserves	39,548	0	39,548	0	39,548
Unreserved	0	319,707	319,707	45,075	364,782
Total Fund Balances	<u>\$ 237,417</u>	<u>\$ 319,707</u>	<u>\$ 557,124</u>	<u>\$ 45,075</u>	<u>\$ 602,199</u>
Total Liabilities and Fund Balances	<u>\$ 370,818</u>	<u>\$ 319,821</u>	<u>\$ 690,639</u>	<u>\$ 45,075</u>	<u>\$ 735,714</u>

Exhibit F-2

Smith County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Smith County School Department  
For the Year Ended June 30, 2006

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 678,065	\$ 678,065	\$ 0	\$ 678,065
Other Local Revenues	63	6,158	6,221	0	6,221
State of Tennessee	0	20,624	20,624	0	20,624
Federal Government	1,509,887	704,589	2,214,476	0	2,214,476
Total Revenues	<u>\$ 1,509,950</u>	<u>\$ 1,409,436</u>	<u>\$ 2,919,386</u>	<u>\$ 0</u>	<u>\$ 2,919,386</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,099,747	\$ 0	\$ 1,099,747	\$ 0	\$ 1,099,747
Support Services	399,990	0	399,990	0	399,990
Operation of Non-Instructional Services	0	1,378,478	1,378,478	0	1,378,478
Total Expenditures	<u>\$ 1,499,737</u>	<u>\$ 1,378,478</u>	<u>\$ 2,878,215</u>	<u>\$ 0</u>	<u>\$ 2,878,215</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,213</u>	<u>\$ 30,958</u>	<u>\$ 41,171</u>	<u>\$ 0</u>	<u>\$ 41,171</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 6,715	\$ 0	\$ 6,715	\$ 0	\$ 6,715
Transfers Out	(24,694)	0	(24,694)	0	(24,694)
Total Other Financing Sources (Uses)	<u>\$ (17,979)</u>	<u>\$ 0</u>	<u>\$ (17,979)</u>	<u>\$ 0</u>	<u>\$ (17,979)</u>
Net Change in Fund Balances	\$ (7,766)	\$ 30,958	\$ 23,192	\$ 0	\$ 23,192
Fund Balance, July 1, 2005	245,183	288,749	533,932	45,075	579,007
Fund Balance, June 30, 2006	<u>\$ 237,417</u>	<u>\$ 319,707</u>	<u>\$ 557,124</u>	<u>\$ 45,075</u>	<u>\$ 602,199</u>

Exhibit F-3

Smith County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual (Budgetary Basis) and Budget  
 Smith County School Department  
 School Federal Projects Fund  
 For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 63	\$ 0	\$ 0	\$ 63	\$ 0	\$ 0	\$ 63
State of Tennessee	0	0	0	0	54,680	0	0
Federal Government	1,509,887	0	0	1,509,887	1,693,644	1,814,878	(304,991)
Total Revenues	\$ 1,509,950	\$ 0	\$ 0	\$ 1,509,950	\$ 1,748,324	\$ 1,814,878	\$ (304,928)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 517,520	\$ (228)	\$ 1,800	\$ 519,092	\$ 668,095	\$ 723,541	\$ 204,449
Special Education Program	423,052	(2,656)	0	420,396	492,172	433,172	12,776
Vocational Education Program	69,072	(5,037)	959	64,994	64,786	65,250	256
Adult Education Program	90,103	(2,231)	1,006	88,878	88,073	73,233	(15,645)
<u>Support Services</u>							
Other Student Support	29,516	0	425	29,941	8,205	37,789	7,848
Regular Instruction Program	114,159	(4,375)	4,846	114,630	238,524	234,155	119,525
Special Education Program	134,665	(110)	0	134,555	83,039	143,402	8,847
Vocational Education Program	2,269	0	0	2,269	2,000	2,269	0
Adult Programs	85,682	0	0	85,682	85,770	85,770	88
Transportation	33,699	0	0	33,699	42,095	42,095	8,396
Total Expenditures	\$ 1,499,737	\$ (14,637)	\$ 9,036	\$ 1,494,136	\$ 1,772,759	\$ 1,840,676	\$ 346,540
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,213	\$ 14,637	\$ (9,036)	\$ 15,814	\$ (24,435)	\$ (25,798)	\$ 41,612
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 6,715	\$ 0	\$ 0	\$ 6,715	\$ 87,708	\$ 87,708	\$ (80,993)
Transfers Out	(24,694)	0	0	(24,694)	(109,627)	(108,264)	83,570
Total Other Financing Sources (Uses)	\$ (17,979)	\$ 0	\$ 0	\$ (17,979)	\$ (21,919)	\$ (20,556)	\$ 2,577
Net Change in Fund Balance	\$ (7,766)	\$ 14,637	\$ (9,036)	\$ (2,165)	\$ (46,354)	\$ (46,354)	\$ 44,189
Fund Balance, July 1, 2005	245,183	(14,637)	0	230,546	46,354	46,355	184,191
Fund Balance, June 30, 2006	\$ 237,417	\$ 0	\$ (9,036)	\$ 228,381	\$ 0	\$ 1	\$ 228,380

Exhibit F-4

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Smith County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 678,065	\$ 748,000	\$ 748,000	\$ (69,935)
Other Local Revenues	6,158	7,000	7,000	(842)
State of Tennessee	20,624	22,500	22,500	(1,876)
Federal Government	704,589	660,000	660,000	44,589
Total Revenues	<u>\$ 1,409,436</u>	<u>\$ 1,437,500</u>	<u>\$ 1,437,500</u>	<u>\$ (28,064)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,378,478	\$ 1,437,500	\$ 1,437,500	\$ 59,022
Total Expenditures	<u>\$ 1,378,478</u>	<u>\$ 1,437,500</u>	<u>\$ 1,437,500</u>	<u>\$ 59,022</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 30,958	\$ 0	\$ 0	\$ 30,958
Net Change in Fund Balance	\$ 30,958	\$ 0	\$ 0	\$ 30,958
Fund Balance, July 1, 2005	<u>288,749</u>	<u>285,734</u>	<u>285,734</u>	<u>3,015</u>
Fund Balance, June 30, 2006	<u>\$ 319,707</u>	<u>\$ 285,734</u>	<u>\$ 285,734</u>	<u>\$ 33,973</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit G-1

Smith County, Tennessee  
Schedule of Transfers - All Funds  
Smith County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 24,694
General Purpose School	School Federal Projects	Matching portion of grant	<u>6,715</u>
Total Transfers			<u><u>\$ 31,409</u></u>

Exhibit G-2

Smith County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Smith County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Smith County Board of Education	\$ 78,608 (1)	\$ 100,000	The Cincinnati Insurance Company
Employee Blanket Bond Coverage: School Department Employees			25,000	"

(1) Includes career ladder supplement of \$1,000.

Exhibit G-3

Smith County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Smith County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,387,753	\$ 0	\$ 0	\$ 2,387,753
Trustee's Collections - Prior Year	103,083	0	0	103,083
Trustee's Collections - Bankruptcy	4,801	0	0	4,801
Circuit/Clerk & Master Collections - Prior Years	38,634	0	0	38,634
Interest and Penalty	15,874	0	0	15,874
Payments in-Lieu-of Taxes - T.V.A.	1,065	0	0	1,065
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,092,824	0	0	1,092,824
<u>Statutory Local Taxes</u>				
Bank Excise Tax	83,457	0	0	83,457
Interstate Telecommunications Tax	2,231	0	0	2,231
Total Local Taxes	\$ 3,729,722	\$ 0	\$ 0	\$ 3,729,722
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,520	\$ 0	\$ 0	\$ 1,520
Total Licenses and Permits	\$ 1,520	\$ 0	\$ 0	\$ 1,520
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 1,955	\$ 0	\$ 0	\$ 1,955
Lunch Payments - Children	0	0	444,338	444,338
Lunch Payments - Adults	0	0	60,908	60,908
Income from Breakfast	0	0	56,236	56,236
Special Milk Sales	0	0	17,240	17,240
A la carte Sales	0	0	97,297	97,297
Receipts from Individual Schools	26,978	0	2,046	29,024
Community Service Fees - Adults	120	0	0	120
Total Charges for Current Services	\$ 29,053	\$ 0	\$ 678,065	\$ 707,118
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 2,250	\$ 0	\$ 2,960	\$ 5,210
Lease/Rentals	1,100	0	0	1,100
Sale of Materials and Supplies	10,029	0	0	10,029
Miscellaneous Refunds	45,632	63	3,198	48,893
<u>Nonrecurring Items</u>				
Sale of Equipment	1,200	0	0	1,200
Contributions & Gifts	11,867	0	0	11,867
<u>Other Local Revenues</u>				
Other Local Revenues	236	0	0	236
Total Other Local Revenues	\$ 72,314	\$ 63	\$ 6,158	\$ 78,535
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 12,385,055	\$ 0	\$ 0	\$ 12,385,055
Early Childhood Education	170,778	0	0	170,778
School Food Service	0	0	20,624	20,624

(Continued)

Exhibit G-3

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Driver Education	\$ 7,452	\$ 0	\$ 0	\$ 7,452
Other State Education Funds	58,853	0	0	58,853
Career Ladder Program	172,611	0	0	172,611
Career Ladder - Extended Contract	58,686	0	0	58,686
Total State of Tennessee	<u>\$ 12,853,435</u>	<u>\$ 0</u>	<u>\$ 20,624</u>	<u>\$ 12,874,059</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 521,206	\$ 521,206
Breakfast	0	0	183,383	183,383
Adult Education State Grant Program	0	128,376	0	128,376
Vocational Education - Basic Grants to States	0	71,686	0	71,686
Title I Grants to Local Education Agencies	0	451,450	0	451,450
Innovative Education Program Strategies	0	8,982	0	8,982
Special Education - Grants to States	14,075	641,600	0	655,675
Special Education Preschool Grants	0	21,500	0	21,500
Eisenhower Professional Development State Grants	0	130,250	0	130,250
Other Federal through State	11,000	56,043	0	67,043
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	24,933	0	0	24,933
Total Federal Government	<u>\$ 50,008</u>	<u>\$ 1,509,887</u>	<u>\$ 704,589</u>	<u>\$ 2,264,484</u>
Total	<u>\$ 16,736,052</u>	<u>\$ 1,509,950</u>	<u>\$ 1,409,436</u>	<u>\$ 19,655,438</u>

Smith County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Smith County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,143,028	
Career Ladder Program	111,062	
Career Ladder Extended Contracts	26,000	
Educational Assistants	156,686	
Other Salaries & Wages	400	
Certified Substitute Teachers	25,418	
Non-certified Substitute Teachers	44,809	
Social Security	383,552	
State Retirement	348,186	
Medical Insurance	933,741	
Unemployment Compensation	2,651	
Employer Medicare	89,702	
Maintenance & Repair Services - Equipment	16,805	
Instructional Supplies and Materials	133,411	
Textbooks	241,701	
Other Supplies and Materials	6,643	
Fee Waivers	9,411	
Other Charges	6,149	
Regular Instruction Equipment	171,658	
Total Regular Instruction Program		\$ 8,851,013

Alternative Instruction Program

Teachers	\$ 38,793	
Career Ladder Program	1,000	
Social Security	2,446	
State Retirement	2,189	
Medical Insurance	1,695	
Unemployment Compensation	13	
Employer Medicare	572	
Other Supplies and Materials	325	
Total Alternative Instruction Program		47,033

Special Education Program

Teachers	\$ 699,862
Career Ladder Program	9,000
Career Ladder Extended Contracts	1,000
Educational Assistants	24,433
Certified Substitute Teachers	1,325
Non-certified Substitute Teachers	2,182

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	42,818	
State Retirement		40,099	
Medical Insurance		125,400	
Unemployment Compensation		305	
Employer Medicare		10,014	
Total Special Education Program			\$ 956,438

Vocational Education Program

Teachers	\$	437,404	
Career Ladder Program		4,000	
Certified Substitute Teachers		1,452	
Non-certified Substitute Teachers		3,723	
Social Security		25,553	
State Retirement		24,265	
Medical Insurance		79,555	
Unemployment Compensation		183	
Employer Medicare		5,976	
Maintenance & Repair Services - Equipment		767	
Instructional Supplies and Materials		10,081	
Other Charges		170	
Total Vocational Education Program			593,129

Support Services

Attendance

Supervisor/Director	\$	42,361	
Career Ladder Extended Contracts		2,000	
Social Workers		29,801	
Other Salaries & Wages		1,301	
Social Security		4,679	
State Retirement		4,116	
Medical Insurance		10,092	
Unemployment Compensation		22	
Employer Medicare		1,094	
Travel		1,663	
Other Supplies and Materials		430	
Attendance Equipment		4,869	
Total Attendance			102,428

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	69,004	
Social Security		3,626	
State Retirement		3,795	
Medical Insurance		17,001	
Unemployment Compensation		32	
Employer Medicare		848	
Travel		2,790	
Drugs and Medical Supplies		155	
Other Supplies and Materials		234	
Health Equipment		825	
Total Health Services			\$ 98,310

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		205,558	
Social Security		11,891	
State Retirement		11,582	
Medical Insurance		38,692	
Unemployment Compensation		80	
Employer Medicare		2,781	
Contracts with Government Agencies		66,800	
Evaluation and Testing		30,167	
Other Charges		13,116	
Total Other Student Support			385,667

Regular Instruction Program

Supervisor/Director	\$	55,241	
Career Ladder Program		4,900	
Career Ladder Extended Contracts		1,000	
Librarians		183,938	
Instructional Computer Personnel		58,320	
Social Security		18,019	
State Retirement		16,460	
Medical Insurance		38,658	
Unemployment Compensation		120	
Employer Medicare		4,214	
Travel		14,969	
Other Contracted Services		30	
Library Books/Media		4,421	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Supplies and Materials	\$	368	
In Service/Staff Development		9,847	
Other Charges		24	
Other Equipment		2,184	
Total Regular Instruction Program			\$ 412,713

Special Education Program

Supervisor/Director	\$	57,039	
Career Ladder Program		1,000	
Psychological Personnel		32,656	
Clerical Personnel		15,280	
Social Security		6,495	
State Retirement		5,783	
Medical Insurance		10,708	
Unemployment Compensation		53	
Employer Medicare		1,519	
Travel		9,909	
Total Special Education Program			140,442

Vocational Education Program

Supervisor/Director	\$	46,926	
Clerical Personnel		4,972	
Social Security		3,218	
State Retirement		2,839	
Medical Insurance		3,292	
Unemployment Compensation		20	
Employer Medicare		753	
Travel		4,023	
Other Supplies and Materials		228	
Total Vocational Education Program			66,271

Adult Programs

Career Ladder Program	\$	1,000	
Social Security		62	
State Retirement		55	
Employer Medicare		14	
Total Adult Programs			1,131

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Secretary to Board	\$	1,127	
Board and Committee Members Fees		11,360	
Social Security		773	
State Retirement		62	
Medical Insurance		441	
Unemployment Compensation		22	
Employer Medicare		181	
Audit Services		7,000	
Dues and Memberships		6,985	
Legal Services		93,674	
Other Contracted Services		57,151	
Liability Insurance		28,631	
Trustee's Commission		89,808	
Workers' Compensation Insurance		82,291	
Criminal Investigation of Applicants - TBI		48	
Refund to Applicant for Criminal Investigation		3,408	
Other Charges		5,511	
Total Board of Education			\$ 388,473

Director of Schools

County Official/Administrative Officer	\$	77,608	
Career Ladder Program		1,000	
Social Security		4,874	
State Retirement		4,351	
Medical Insurance		5,240	
Unemployment Compensation		13	
Employer Medicare		1,140	
Communication		19,445	
Dues and Memberships		1,264	
Travel		3,217	
Other Charges		539	
Total Director of Schools			118,691

Office of the Principal

Principals	\$	504,610	
Career Ladder Program		10,100	
Accountants/Bookkeepers		87,674	
Career Ladder Extended Contracts		10,000	
Assistant Principals		136,896	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Clerical Personnel	\$	76,574	
Social Security		49,156	
State Retirement		44,629	
Medical Insurance		71,847	
Unemployment Compensation		328	
Employer Medicare		11,496	
Communication		3,768	
Dues and Memberships		2,350	
Administration Equipment		6,736	
Total Office of the Principal			\$ 1,016,164

Fiscal Services

Accountants/Bookkeepers	\$	79,868	
Clerical Personnel		22,758	
Social Security		6,311	
State Retirement		4,952	
Medical Insurance		11,316	
Unemployment Compensation		61	
Employer Medicare		1,476	
Travel		233	
Other Contracted Services		10,760	
Office Supplies		11,561	
Other Charges		45	
Administration Equipment		10,570	
Total Fiscal Services			159,911

Operation of Plant

Custodial Personnel	\$	295,378	
Other Salaries & Wages		540	
Social Security		17,685	
State Retirement		12,583	
Medical Insurance		1,174	
Unemployment Compensation		369	
Employer Medicare		4,136	
Other Contracted Services		26,224	
Coal		1,782	
Electricity		665,615	
Natural Gas		163,723	
Water and Sewer		48,299	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Supplies and Materials	\$	39,968	
Boiler Insurance		988	
Building and Contents Insurance		35,651	
Other Charges		15	
Plant Operation Equipment		<u>24,258</u>	
Total Operation of Plant	\$		1,338,388

Maintenance of Plant

Supervisor/Director	\$	49,037	
Maintenance Personnel		121,549	
Other Salaries & Wages		20,822	
Social Security		11,718	
State Retirement		9,291	
Medical Insurance		23,650	
Unemployment Compensation		102	
Employer Medicare		2,740	
Laundry Service		2,003	
Maintenance & Repair Services - Buildings		5,236	
Maintenance & Repair Services - Equipment		50,620	
Other Contracted Services		20,186	
Other Supplies and Materials		54,975	
Maintenance Equipment		<u>140</u>	
Total Maintenance of Plant			372,069

Transportation

Supervisor/Director	\$	35,158	
Mechanic(s)		63,054	
Bus Drivers		368,039	
Clerical Personnel		1,577	
Other Salaries & Wages		15,631	
Social Security		29,145	
State Retirement		21,593	
Medical Insurance		19,566	
Unemployment Compensation		476	
Employer Medicare		6,818	
Contracts with Parents		793	
Laundry Service		2,035	
Maintenance & Repair Services - Vehicles		11,297	
Medical and Dental Services		1,350	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Travel	\$	953	
Other Contracted Services		10,527	
Diesel Fuel		118,028	
Gasoline		20,253	
Tires and Tubes		16,739	
Vehicle Parts		60,122	
Other Supplies and Materials		8,765	
Vehicle and Equipment Insurance		32,160	
Other Charges		1,669	
Transportation Equipment		133,530	
Total Transportation			\$ 979,278

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$	1,000	
Social Security		70	
State Retirement		60	
Employer Medicare		30	
Total Food Service			1,160

Community Services

Supervisor/Director	\$	31,035	
Other Salaries & Wages		100	
Social Security		1,681	
State Retirement		1,619	
Medical Insurance		8,065	
Unemployment Compensation		13	
Employer Medicare		393	
Travel		989	
Other Supplies and Materials		158	
Other Charges		438	
Total Community Services			44,491

Early Childhood Education

Teachers	\$	67,922	
Educational Assistants		17,179	
Non-certified Substitute Teachers		158	
Social Security		5,027	
State Retirement		3,960	

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Medical Insurance	\$	11,476	
Unemployment Compensation		53	
Employer Medicare		1,176	
Other Contracted Services		7,330	
Instructional Supplies and Materials		20,741	
Other Supplies and Materials		3,366	
In Service/Staff Development		4,104	
Other Equipment		22,766	
Total Early Childhood Education			\$ 165,258

Capital Outlay

Regular Capital Outlay

Consultants	\$	3,800	
Building Improvements		457,143	
Furniture and Fixtures		43,106	
Site Development		79,831	
Other Capital Outlay		9,701	
Total Regular Capital Outlay			593,581

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	296,000	
Total Education			296,000

Total General Purpose School Fund \$ 17,128,039

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	353,638	
Educational Assistants		38,926	
Certified Substitute Teachers		1,248	
In-Service Training		90	
Non-certified Substitute Teachers		3,645	
Social Security		23,496	
State Retirement		21,487	
Medical Insurance		46,415	
Unemployment Compensation		340	
Employer Medicare		5,459	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Other Contracted Services	\$	187	
Instructional Supplies and Materials		20,874	
Other Supplies and Materials		1,610	
Other Charges		39	
Regular Instruction Equipment		66	
Total Regular Instruction Program			\$ 517,520

Special Education Program

Educational Assistants	\$	156,603	
Other Salaries & Wages		8,642	
Certified Substitute Teachers		439	
Non-certified Substitute Teachers		799	
Social Security		10,063	
State Retirement		8,043	
Medical Insurance		650	
Unemployment Compensation		328	
Employer Medicare		2,353	
Contracts with Private Agencies		200,792	
Maintenance & Repair Services - Equipment		1,207	
Other Contracted Services		10,909	
Instructional Supplies and Materials		3,463	
Other Supplies and Materials		17,343	
Special Education Equipment		1,418	
Total Special Education Program			423,052

Vocational Education Program

Instructional Supplies and Materials	\$	14,121	
Vocational Instruction Equipment		54,951	
Total Vocational Education Program			69,072

Adult Education Program

Teachers	\$	60,821	
Social Security		3,770	
State Retirement		2,924	
Medical Insurance		4,879	
Unemployment Compensation		55	
Employer Medicare		882	
Travel		102	
Instructional Supplies and Materials		6,905	

(Continued)

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Other Charges	\$	633	
Regular Instruction Equipment		<u>9,132</u>	
Total Adult Education Program			\$ 90,103

Support Services

Other Student Support

Guidance Personnel	\$	19,985	
Social Security		1,239	
State Retirement		1,098	
Employer Medicare		325	
Travel		3,694	
In Service/Staff Development		36	
Other Charges		<u>3,139</u>	
Total Other Student Support			29,516

Regular Instruction Program

Supervisor/Director	\$	46,131	
Social Security		2,853	
State Retirement		2,549	
Medical Insurance		4,889	
Unemployment Compensation		20	
Employer Medicare		667	
Travel		1,227	
Other Supplies and Materials		1,144	
In Service/Staff Development		44,717	
Other Charges		200	
Other Equipment		<u>9,762</u>	
Total Regular Instruction Program			114,159

Special Education Program

Psychological Personnel	\$	49,348	
Social Security		2,752	
State Retirement		2,714	
Medical Insurance		7,494	
Unemployment Compensation		19	
Employer Medicare		644	
Maintenance & Repair Services - Equipment		330	
Travel		2,778	
Other Supplies and Materials		7,691	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

In Service/Staff Development	\$ 2,500	
Other Equipment	58,395	
Total Special Education Program		\$ 134,665

Vocational Education Program

Other Salaries & Wages	\$ 2,000	
Social Security	124	
State Retirement	110	
Unemployment Compensation	6	
Employer Medicare	29	
Total Vocational Education Program		2,269

Adult Programs

Supervisor/Director	\$ 52,329	
Clerical Personnel	1,000	
Other Salaries & Wages	15,715	
Social Security	4,236	
State Retirement	3,753	
Medical Insurance	4,891	
Unemployment Compensation	44	
Employer Medicare	998	
Communication	823	
Travel	992	
In Service/Staff Development	901	
Total Adult Programs		85,682

Transportation

Bus Drivers	\$ 19,090	
Other Salaries & Wages	102	
Social Security	1,190	
State Retirement	998	
Unemployment Compensation	43	
Employer Medicare	278	
Communication	198	
Contracts with Parents	11,800	
Total Transportation		33,699

Total School Federal Projects Fund \$ 1,499,737

(Continued)

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	45,428	
Accountants/Bookkeepers		26,780	
Cafeteria Personnel		483,611	
Other Salaries & Wages		1,816	
Social Security		34,301	
State Retirement		26,729	
Medical Insurance		9,748	
Unemployment Compensation		461	
Employer Medicare		8,022	
Communication		1,600	
Legal Notices, Recording, and Court Costs		30	
Maintenance & Repair Services - Equipment		15,552	
Pest Control		4,560	
Printing, Stationery, and Forms		582	
Travel		2,541	
Other Contracted Services		6,707	
Data Processing Supplies		1,691	
Equipment and Machinery Parts		11,324	
Food Supplies		632,374	
Office Supplies		778	
Uniforms		440	
Other Supplies and Materials		55,903	
In Service/Staff Development		528	
Refund to Applicant for Criminal Investigation		528	
Food Service Equipment		6,444	
Total Food Service			\$ <u>1,378,478</u>

Total Central Cafeteria Fund \$ 1,378,478

Total Governmental Funds - Smith County School Department \$ 20,006,254

**SINGLE AUDIT REPORT**  
**SMITH COUNTY, TENNESSEE**  
**AND**  
**SMITH COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

*CHRISTY N. TENNANT, CPA*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

December 12, 2006

Smith County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Smith County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Smith County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Smith County School Department, as of and for the year ended June 30, 2006, which collectively comprise a portion of Smith County's and the Smith County School Department's basic financial statements and have issued our reports thereon dated December 12, 2006. Our report on the financial statements of Smith County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Smith County School Department expresses an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Smith County's and the Smith County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its

operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Smith County's and the Smith County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.03(A,B,C), 06.04, 06.06(A,B), 06.07, 06.10, 06.11, 06.14, 06.15(A,B), 06.17, 06.18, and 06.19.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

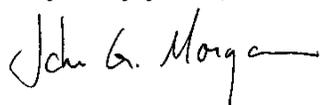
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smith County's and the Smith County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 06.01, 06.02, 06.03(D), 06.05, 06.06(C), 06.08, 06.09, 06.12, 06.13, 06.15(C,D), and 06.16.

We also noted certain matters that we reported to the management of Smith County and the Smith County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 12, 2006

Smith County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Smith County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Smith County and the Smith County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2006. Smith County's and the Smith County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Smith County's and the Smith County School Department's management. Our responsibility is to express an opinion on Smith County's and the Smith County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a

test basis, evidence about Smith County's and the Smith County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Smith County's and the Smith County School Department's compliance with those requirements.

In our opinion, Smith County and the Smith County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Smith County and the Smith County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Smith County's and the Smith County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Smith County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.19 and 06.20.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

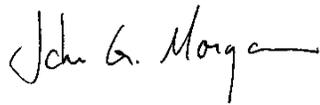
#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Smith County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Smith County School Department, as of and for the year ended June 30, 2006, and have issued our reports thereon dated December 12, 2006. Our report on the financial statements of Smith County, Tennessee, expresses an adverse opinion because the government-wide financial

statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Smith County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

Smith County, Tennessee, and the Smith County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

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 Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 87,271
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	183,383
National School Lunch Program	10.555	N/A	521,206
Direct Program:			
Watershed Protection and Flood Prevention	10.904	N/A	50,878
Total U.S. Department of Agriculture			<u>\$ 842,738</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
Community Development Block Grants/State's Program	14.228	GG-05-11831-00	\$ 178,648
HOME Investment Partnerships Program	14.239	(2)	121,406
Total U.S. Department of Housing and Urban Development			<u>\$ 300,054</u>
U.S. Department of Interior:			
Passed-through State Department of Wildlife Resource Agency:			
Sport Fish Restoration	15.605	GG-04-1120-00	\$ 5,937
U.S. Department of Justice:			
Direct Program:			
Public Safety Partnerships and Community Policing Grants	16.710	N/A	\$ 64,312
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 11,000
WIA Incentive Grants - Section 503 Grants to States	17.267	(2)	1,116
Total U.S. Department of Labor			<u>\$ 12,116</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 143,188
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	518,859
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	591,656
Special Education - Preschool Grants	84.173	N/A	22,517
Vocational Education - Basic Grants to States	84.048	N/A	72,397
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	25,185
State Grants for Innovative Programs	84.298	N/A	6,312
Education Technology State Grants	84.318	(2)	5,421
Improving Teacher Quality State Grants	84.367	N/A	133,485
Hurricane Education Recovery	84.938C	(2)	24,933
Total U.S. Department of Education			<u>\$ 1,543,953</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	(2)	\$ 31,363
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	(3)	\$ 50,268
Emergency Management Performance Grants	97.042	(4)	21,797
Total U.S. Department of Homeland Security			\$ 72,065
Total Expenditures of Federal Awards			\$ 2,872,538
<u>State Grants</u>			
		Contract Number	
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 15,215
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	12,077
Litter Program - State Department of Transportation	N/A	Z-05-021549-01	28,084
Law Enforcement Training - State Department of Safety	N/A	(2)	17,961
Local Health Services Grant - State Department of Health	N/A	Z-06-025960-00	4,404
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	18,573
Farmers Market Program - State Department of Agriculture	N/A	Z-06-031140-00	655
Highway Safety Improvement Project - State Department of Transportation	N/A	STP-H-8000(19)	50,000
State Supplement Grant Program - State Commission on Children and Youth	N/A	Z-05-020429-00	9,360
Family Resource Center - State Department of Education	N/A	(2)	33,300
Lottery for Education - PreK - State Department of Education	N/A	(2)	170,778
Touching the Lives of Children - State Department of Education	N/A	(2)	6,980
Used Oil Grant - State Department of Environment and Conservation	N/A	Z-05-024420-00	9,500
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	16,201
Total State Grants			\$ 393,088

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Z-03-017801-01: \$2,900; Z-04-020146-00: \$16,749; Z-04-020146-01: \$3,191; Z-04-022494-01: \$21,547;  
Z-05-025398-00: \$5,881

(4) GG-04-10693-00: \$13,900; Z-06-032862-00: \$7,897

Smith County, Tennessee, and the Smith County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2006

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Smith County, Tennessee, and the Smith County School Department for the year ended June 30, 2005, which have not been corrected.

**SMITH COUNTY**

Finding Number	Page Number	Subject
05.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
05.03	18	The office did not maintain the Solid Waste Disposal Fund on the accrual basis of accounting
05.04(A, B, E, H)	19	Purchase orders were issued after purchases were made; invoices were paid without documentation that goods had been received or services had been rendered; documentation was not on file to support all purchases; competitive bids were not solicited for cleaning services
05.05	20	The Courthouse and Jail Maintenance Fund had a fund deficit
05.07(A, B, C)	21	Deficiencies were noted in Ambulance Service operations – duties were not adequately segregated; accounts receivable balances were not posted to the accounting records; the Ambulance Service did not follow the collection policy established by the County Commission
05.09	23	Inventory records were not maintained adequately
05.12	24	Smith County Public Library was not audited

**OFFICES OF COUNTY MAYOR AND SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.14	25	Sheriff's Department personnel records were not maintained adequately

**OFFICE OF ROAD COMMISSIONER**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.15(A, B)	26	Purchase orders were not issued or were not issued properly; invoices were paid without documentation that goods had been received or services had been rendered
05.17	27	A complete road list was not submitted to the County Commission for approval

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.20	29	Inventory records were not maintained adequately

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.22	30	The office had accounting deficiencies

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.25	31	A central system of accounting, budgeting, and purchasing had not been adopted
05.26	32	Duties were not segregated adequately in the Offices of County Mayor, Road Commissioner, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**SMITH COUNTY, TENNESSEE, AND THE  
SMITH COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. An adverse opinion was issued on the financial statements of Smith County, and an unqualified opinion was issued on the financial statements of the Smith County School Department.
2. The audit of the financial statements of Smith County and the Smith County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Smith County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Smith County School Department.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Smith County and the Smith County School Department did not qualify as low-risk auditees.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The director of school's written responses are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### SMITH COUNTY

FINDING 06.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

Smith County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Smith County was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Smith County's financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the county's financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Smith County's financial statements are presented in compliance with these requirements.

### RECOMMENDATION

Smith County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of the capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

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## OFFICE OF COUNTY MAYOR

### FINDING 06.02      **THE OFFICE DID NOT MAINTAIN THE SOLID WASTE DISPOSAL FUND ON THE ACCRUAL BASIS OF ACCOUNTING**

(Material Noncompliance Under Governmental Auditing Standards)

The Solid Waste Disposal Fund was presented on the accounting records of the County Mayor's Office as an enterprise fund. Enterprise funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred; however, our audit noted the following accounting deficiencies in the maintenance of the enterprise fund:

- A. County officials did not accrue estimated landfill closure and postclosure care costs of \$155,176 on the accounting records of the Solid Waste Disposal Fund. We determined this amount from records on file from the county's landfill engineer and prior-year audit working papers. State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although these closure and postclosure care costs will be paid near or after the date that the landfill stops accepting waste, generally accepted accounting principles require county officials to accrue and report a portion of these closure and postclosure care costs as a liability and as an operating expense in each year of operation based on the estimated landfill capacity used.
- B. County officials did not properly post the general ledger for debt principal payments made during the year. Principal payments on a capital outlay note (\$1,615,242) and a capital lease (\$33,697) were posted as current year expenditures instead of reducing long-term liability accounts on the financial statements.

We presented adjustments to county officials for them to approve and post to the accounts to reflect properly the transactions in the financial statements of this report.

### RECOMMENDATION

County officials should maintain the Solid Waste Disposal Fund on the accrual basis of accounting as required by generally accepted accounting principles for enterprise funds. All assets, liabilities, net assets, revenues, and expenses associated with the operation of the enterprise fund should be accounted for properly.

**FINDING 06.03      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(A., B., and C. Internal Control – Reportable Condition Under Government Auditing Standards; D. Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. In some instances, purchase orders were issued after purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these purchased goods and services were received.
- C. In some instances, invoices were not on file to support the purchases. We extended our audit procedures and determined that these disbursements were for the benefit of the county.
- D. Competitive bids were not solicited for a cleaning contract for county buildings (\$22,200). Section 5-14-204, Tennessee Code Annotated, requires all purchases exceeding \$5,000 to be based on competitive bids solicited through public advertisement.

**RECOMMENDATION**

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid. Invoices should be on file to support all purchases. Furthermore, competitive bids should be solicited for all purchases exceeding \$5,000 as required by state statute.

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**FINDING 06.04      THE COURTHOUSE AND JAIL MAINTENANCE FUND HAD A FUND DEFICIT**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Courthouse and Jail Maintenance Fund had a fund deficit of \$20,269 at June 30, 2006. This fund deficit resulted from expenditures for the construction and renovation of the courthouse and jail being made from funds that were reserved for other purposes.

RECOMMENDATION

County officials should eliminate the fund deficit in the Courthouse and Jail Maintenance Fund and take steps to ensure that the fund deficit does not recur. Reserved funds should only be expended for their restricted purpose.

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FINDING 06.05      **BOND PROCEEDS WERE IMPROPERLY EXPENDED**  
(Noncompliance Under Government Auditing Standards)

During the year, the county transferred \$23,299 from the Other Capital Projects Fund to the General Capital Projects Fund for construction of a boat ramp which violates the bond resolution. The Other Capital Projects Fund's bond proceeds were authorized for the sole purpose of financing construction of a welcome center in the county.

RECOMMENDATION

The county should expend bond proceeds as authorized by the bond resolution.

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FINDING 06.06      **THE      AMBULANCE      SERVICE      HAD      OPERATING**  
**DEFICIENCIES**  
(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)

Our examination of Ambulance Service operations revealed the following deficiencies:

- A.      Duties were not segregated adequately among employees at the Ambulance Service. The office manager collected funds, issued receipts, deposited funds with the county trustee, maintained the computerized billing and accounts receivable system, computed employees' payroll checks, and distributed the payroll checks. Sound internal controls require segregation of incompatible duties.
  
- B.      The computerized billing system provided a total of patients' accounts receivable; however, this balance was not recorded in the financial statements of the Ambulance Service Fund. Also, the related allowance for uncollectible accounts was not determined by Ambulance Service personnel. The computerized billing system had the capability to age accounts receivable as a means of enhancing collection efforts for delinquent accounts; however, this function of the system was not utilized. We determined the current patients' accounts receivable from available records and provided

adjustments to county officials for them to approve and post to the general ledger for proper financial statement presentation.

- C. The Ambulance Service did not follow the policies approved by the County Commission concerning the collection and write-off of patients' accounts. The Ambulance Service's collection efforts were limited to sending statements to the patients. However, collection procedures approved by the County Commission state that the delinquent accounts may be turned over to a collection agency unless the responsible party is making payments, payment negotiations are ongoing with the insurance company, or the Ambulance Service director has approved a review of the account.

### RECOMMENDATION

Employees' duties should be segregated adequately in the Ambulance Service for effective internal control. Accounts receivable and the related allowance for uncollectible accounts should be determined and recorded in the financial statements of the Ambulance Service Fund. Furthermore, the Ambulance Service should follow the policies approved by the County Commission regarding the collection of patients' accounts.

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### FINDING 06.07      **INVENTORY RECORDS WERE NOT MAINTAINED ADEQUATELY**

(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Mayor's Office received inventory lists from several county offices; however, these records were not verified by personnel independent of maintaining the inventory records, and inventory lists were not on file for certain offices. Also, the county did not have procedures to ensure that newly acquired assets were added to the inventory lists or that disposed assets were deleted from the inventory lists. Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles.

### RECOMMENDATION

The office should maintain a complete inventory of county assets and should implement procedures to ensure personnel independent of the record-keeping process periodically verify inventory records. Also, procedures should be implemented to ensure that newly acquired assets are added to the inventory, and that disposed assets are deleted from the inventory.

**FINDING 06.08      THE SMITH COUNTY PUBLIC LIBRARY WAS NOT AUDITED  
(Noncompliance Under Government Auditing Standards)**

The Smith County Public Library is a special revenue fund of Smith County. The library maintains its own financial records and received \$58,600 in funding from Smith County for the year ended June 30, 2006. The library's financial records were not subjected to an independent audit; therefore, financial information of the library is not included in the financial statements of this report as required by generally accepted accounting principles. Section 10-3-106, Tennessee Code Annotated, states that "All library accounts of every character shall be audited annually by or under the county legislative body and/or city governing body."

**RECOMMENDATION**

All revenues and expenditures related to the library's operation should be audited and included in the financial statements of Smith County.

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**FINDING 06.09      THE OFFICE DID NOT FILE A DEBT OBLIGATION REPORT WITH THE STATE DIRECTOR OF LOCAL FINANCE  
(Noncompliance Under Government Auditing Standards)**

The office did not file a Report on Debt Obligations with the state director of Local Finance for a \$225,441 capital lease issued during the year for patrol cars. Section 9-21-151, Tennessee Code Annotated, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance 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.

**RECOMMENDATION**

All debt obligations should be reported to the state director of Local Finance as required by state statute.

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**OFFICES OF COUNTY MAYOR AND SHERIFF**

**FINDING 06.10      SHERIFF'S DEPARTMENT PERSONNEL RECORDS WERE NOT MAINTAINED ADEQUATELY  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

We noted the following deficiencies in the Sheriff's Department personnel records that were used by the County Mayor's Office to support payroll disbursements:

- A. Some employees in the Sheriff's Department did not adequately document hours worked on their time sheets, and most employees did not sign their time sheets. Without properly prepared time and/or attendance records, we could not determine whether these employees were paid correctly.
- B. Supervisors at the Sheriff's Department did not sign employees' time sheets as evidence of supervisory review and approval.
- C. All salaried and some hourly Sheriff's Department employees were paid for county holidays whether they did or did not actually work that holiday. The department's personnel policy did not provide guidance concerning holiday pay.

**RECOMMENDATION**

All employees should properly document hours worked and sign their time sheets. Supervisors should sign employees' time sheets as evidence of supervisory review and approval. The department's personnel policy should provide written guidance concerning holiday pay.

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**OFFICE OF ROAD COMMISSIONER**

**FINDING 06.11**      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of the office's purchasing procedures noted the following deficiencies:

- A. Purchase orders were not issued for some applicable purchases. Purchase orders are necessary to control who has authority to make purchases and to document purchasing commitments. Furthermore, some purchase orders were issued without recording the date of issuance, making it impossible to determine whether the purchase order was issued prior to the purchase.
- B. In some instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

**RECOMMENDATION**

Purchase orders should be issued for all applicable purchases and should include the date of issuance. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid.

**FINDING 06.12      A COMPLETE COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**  
(Noncompliance Under Government Auditing Standards)

The road commissioner submitted a list of county road names to the County Commission; however, this list did not include the required classification, width of each county road, nor the summary of changes from the prior year. Section 54-10-103, Tennessee Code Annotated, requires the road commissioner to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department officials need a current approved list of county roads to determine roads the department is authorized to work.

**RECOMMENDATION**

The road commissioner should submit to the County Commission a list of county roads that includes the classification, width and distance of each road, and a summary of changes as required by state statute.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 06.13      COMPETITIVE BIDS WERE NOT SOLICITED ON THE PURCHASES OF INSURANCE**  
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchases of liability insurance (\$28,631), vehicle and equipment insurance (\$32,160), and building and content insurance (\$35,651). Section 49-2-203, Tennessee Code Annotated, requires all purchases exceeding \$10,000 to be based on competitive bids solicited through public advertisement.

**RECOMMENDATION**

Competitive bids should be solicited for all purchases exceeding \$10,000 as required by state statute.

**FINDING 06.14      INVENTORY RECORDS WERE NOT MAINTAINED ADEQUATELY**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

School officials maintained inventory records of assets owned by the School Department; however, these records were not verified by personnel independent of maintaining the inventory records. Also, the School Department did not have procedures to ensure that newly acquired assets were added to the inventory records, and some assets were not identified by serial number or detailed descriptions that would allow for proper identification of the property. Generally accepted accounting principles require accountability for all department-owned assets, such as equipment, furniture, and vehicles.

**RECOMMENDATION**

School officials should implement procedures to ensure personnel independent of the record-keeping process periodically verify inventory records. Also, procedures should be implemented to ensure that newly acquired assets are added to the inventory, and all assets should be identified by serial numbers, detailed descriptions, and/or numbered labels.

**MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS**

Inventory records will be verified by personnel independent of maintaining the inventory records. In addition, all assets purchased by the Smith County Board of Education are placed on our inventory and will be cross-referenced with inventories maintained in each school to provide a system of checks and balances.

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**OFFICE OF SHERIFF**

**FINDING 06.15      THE OFFICE HAD ACCOUNTING DEFICIENCIES**  
(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. and D. Noncompliance Under Government Auditing Standards)

The following deficiencies were noted during our examination of the office's accounting records:

- A. The cash journal did not accurately reflect the operations of the Sheriff's Department. Commissary, drug control, and law enforcement training center funds were not posted to the cash journal.
- B. Bank statements for the commissary, drug control, and law enforcement training center were not reconciled with cash control records. The bank

balances were determined by bank confirmations and alternative audit procedures.

- C. Official prenumbered receipts were not issued for all collections. Section 9-2-103, Tennessee Code Annotated (TCA), requires official prenumbered receipts for all collections.
- D. Funds were not always deposited to the office bank account within three days of collection. Section 5-8-207, TCA, requires county officials to deposit all public funds to their office bank account within three days of collection.

### RECOMMENDATION

The cash journal should accurately reflect the office's operations. All commissary, drug control, and law enforcement training center funds should be posted to the cash journal, and bank statements should be reconciled with the cash journal monthly. Official prenumbered receipts should be issued for all collections, and funds should be deposited to the office bank account within three days of collection as required by state statutes.

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### FINDING 06.16      **TUITION COLLECTED FOR GUN PERMIT CLASSES WAS NOT PROPERLY RECEIPTED AND DISBURSED** (Noncompliance Under Government Auditing Standards)

The Sheriff's Department conducted gun permit classes for private citizens at the county-owned training facility (shooting range). According to Sheriff's Department employees, tuition was charged for the classes and was divided among the instructor (not a county employee) and deputies assisting the instructor. The state attorney general has opined (U89-134) that revenues generated on county property are county revenues. Furthermore, Section 9-2-103, Tennessee Code Annotated (TCA), requires prenumbered receipts to be issued for collections, Section 5-8-207, TCA, requires county officials to deposit all public funds to their office bank account within three days of collection, and Section 5-9-401, TCA, requires all funds to be appropriated by the County Commission. Since payments to the Smith County deputies assisting with the gun classes were not paid through the county's payroll system and were in addition to their regular salaries, these supplemental payments were not subjected to income tax, social security, and Medicare deductions. Also, the county did not report and pay its required matching social security and Medicare associated with these supplemental payments.

### RECOMMENDATION

Tuition collected for gun permit classes should be receipted, deposited, remitted to the county trustee, and placed into the county's General Fund. All disbursements relating to the gun permit classes should be appropriated by the County Commission through the budgetary process. All payroll related payments to employees should be paid through the county's payroll system to properly reflect the employee's total salary. Also, all wages

should be subjected to the proper employee payroll taxes and the county's matching portions.

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**FINDING 06.17      INTERNAL CONTROLS OVER EVIDENCE AND SEIZED PROPERTY WERE NOT ADEQUATE**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Inventory records were not maintained for evidence and seized property held by the Sheriff's Department. Therefore, we were unable to determine if the office properly accounted for all of the property. We noted that property was stored in two locations at the Sheriff's Department, and several employees were allowed access to those areas.

**RECOMMENDATION**

A perpetual log should be maintained for all evidence and seized property. At a minimum, the log should include the following: date received, defendant, case number, description, location, signatures of individuals signing evidence in and out, and disposition. Also, evidence and seized property should be stored in a secure location with limited access.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.18      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

**RECOMMENDATION**

County officials should consider adopting either 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.

FINDING 06.19

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, ROAD COMMISSIONER, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

Duties were not segregated adequately among the officials and employees of the Offices of County Mayor, Road Commissioner, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The official does not receipt, deposit, or disburse funds in the school system. In 2005-06, a federal projects bookkeeper was employed to improve the segregation of duties within the bookkeeping department of the Smith County Board of Education. We are still limited with the resources to further segregate duties.

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

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education:	06.20		Circular A-133, Section 500 (c)(3)	Reportable Condition in Internal Control See Finding 06.19 - Duties were not adequately segregated in the Office of Director of Schools	\$ 0
Child Nutrition Cluster:					
School Breakfast Program		10.553			
School Lunch Program		10.555			
U.S. Department of Education: Passed-through State Department of Education:					
Title 1 Grant to Local Educational Agencies		84.010			
Special Education Cluster:					
Special Education - Grants to States		84.027			
Special Education - Preschool Grants		84.173			

**SMITH COUNTY, TENNESSEE, AND THE  
SMITH COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2006**

There are two audit findings relative to federal awards presented in the current year audit's Schedule of Findings and Questioned Costs and no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs.

**Office of Director of Schools – Corrective Action Plan for Current Year Findings**

**FINDINGS 06.19 and 06.20**

Contact Person: Roger Lewis

Corrective Action Planned: We are limited with the resources to segregate duties and find that it would not be advantageous to the school system at this time.

Anticipated completion date: None