

**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, 2007**



**ANNUAL FINANCIAL REPORT**  
**SMITH COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*STEVE REEDER, CPA, CGFM, CFE*  
*Auditor 4*

*MELODIE C. WHEELER, CFE*  
*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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# ***Audit Highlights***

Annual Financial Report  
Smith County, Tennessee  
For the Year Ended June 30, 2007

## ***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, 2007.

## ***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 14 findings and recommendations, which we have reviewed with Smith County management. Detailed findings, recommendations, and managements' responses 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 Courthouse and Jail Maintenance Fund had a fund deficit of \$17,987 at June 30, 2007.
- ◆ Some purchase orders were issued after purchases were made, and in some instances, invoices were paid without documentation that goods had been received and/or services had been rendered. Also, the County Commission had not developed written guidelines for the use of county credit cards.
- ◆ Inventory lists from county offices lacked pertinent information necessary to identify county assets. Also, county officials did not have policies to ensure that newly acquired assets were added to the inventory or that assets disposed were removed from the inventory.
- ◆ The office did not file a Report on Debt Obligation with the state director of Local Finance for capital leases as required by state statute.

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

- ◆ Amounts withheld from contractor payments were not deposited into an escrow account as required by state statute.
- 

## **OFFICE OF ROAD COMMISSIONER**

- ◆ Some purchase orders were issued after purchases were made, and in some instances, invoices were paid without documentation that goods had been received and/or services had been received. Also, the office paid several invoices without cancelling or marking them paid.
- 

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ Unclaimed funds were not reported and paid to the state as required by state statute.
  - ◆ The office did not deposit funds within three days of collection as required by state statute.
- 

## **OFFICE OF SHERIFF**

- ◆ Commissary, drug control, and law enforcement training center funds were not posted to the cash journal. Bank statements for accounts administered by the office were not reconciled with cash control records. Funds were not always deposited within three days of collection, and official prenumbered checks were not used for all disbursements as required by state statutes.
  - ◆ The office did not maintain inventory records on evidence or 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, 2007

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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  
Jerri Lin Vaden, Register  
Ronald Lankford, Sheriff

**Board of County Commissioners**

Michael Nesbitt, Chairman	
Richard Brimm	Barbara Hickman
Ronnie Bussell	Kenneth Massey
Ronald Cowan	Joseph Nixon
Daniel Cripps	Earl North
Phillip Enoch	C.D. Poindexter
Jerry Futrell	Leslie Proffitt
Frank Gibbs	Margaret Stevens
James Gibbs, Jr.	James Winfree
Ricky Gibbs	Jeffery Winfree
David Gross	Billy Woodard
Billy Halliburton	Michael Woodard
Vernon Hesson	Darryl York

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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**

October 24, 2007

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, 2007, as shown on pages 15 through 45, 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 2007, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Management has not arranged to have the financial statements of the Smith County Library, a nonmajor special revenue fund, audited as of the date of 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 Library, which should be included to conform with accounting principles generally accepted in the United States of America and by the Comptroller of the Treasury of the State of Tennessee. The effects on the financial statements are not reasonably determinable.

However, 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, 2007, 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 October 24, 2007, 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 and pension information on pages 49 through 55 are not required parts of the basic financial statements but they do provide 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, General Debt Service Fund, and the Education Debt Service Fund, and the 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, 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 flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Smith County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Funds Other Govern- mental Funds	
<b>ASSETS</b>						
Equity in Pooled Cash and Investments	\$ 1,159,464	\$ 169,245	\$ 855,399	\$ 1,279,255	\$ 1,478,416	\$ 4,941,779
Accounts Receivable	76,155	0	0	0	796,279	872,434
Allowance for Uncollectibles	0	0	0	0	(517,581)	(517,581)
Due from Other Governments	136,241	272,004	0	74,298	0	482,543
Property Taxes Receivable	2,705,628	182,402	456,004	395,204	0	3,739,238
Allowance for Uncollectible Property Taxes	(114,680)	(7,731)	(19,327)	(16,751)	0	(158,489)
Notes Receivable - Current	0	0	100,000	0	0	100,000
<b>Total Assets</b>	<b>\$ 3,962,808</b>	<b>\$ 615,920</b>	<b>\$ 1,392,076</b>	<b>\$ 1,732,006</b>	<b>\$ 1,757,114</b>	<b>\$ 9,459,924</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 5,268	\$ 0	\$ 0	\$ 0	\$ 3,604	\$ 8,872
Payroll Deductions Payable	6,627	0	0	0	1,580	8,207
Contracts Payable	0	0	0	0	162,553	162,553
Retainage Payable	0	0	0	0	46,957	46,957
Deferred Revenue - Current Property Taxes	2,516,871	169,677	424,192	367,633	0	3,478,373
Deferred Revenue - Delinquent Property Taxes	59,077	3,994	9,985	8,820	0	81,876
Other Deferred Revenues	51,000	128,436	0	37,000	222,698	439,134
<b>Total Liabilities</b>	<b>\$ 2,638,843</b>	<b>\$ 302,107</b>	<b>\$ 434,177</b>	<b>\$ 413,453</b>	<b>\$ 437,392</b>	<b>\$ 4,225,972</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	\$ 55,215	\$ 0	\$ 0	\$ 0	\$ 186,073	\$ 241,288
Reserved for Alcohol and Drug Treatment	38,730	0	0	0	0	38,730
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	222,401	222,401
Reserved for Sexual Offender Registration	1,544	0	0	0	0	1,544
Reserved for Courtroom Security	2,807	0	0	0	0	2,807
Reserved for Computer System - Register	8,594	0	0	0	0	8,594
Reserved for Automation Purposes - Juvenile Court	119	0	0	0	0	119
Reserved for Automation Purposes - Chancery Court	4,587	0	0	0	0	4,587
Reserved for Automation Purposes - Sheriff	7,552	0	0	0	0	7,552

(Continued)

Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Funds Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Long-term Notes Receivable	\$ 0	\$ 0	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Reserved for Capital Outlay	131,741	0	0	0	0	131,741
Unreserved, Reported In:						
General Fund	1,073,076	0	0	0	0	1,073,076
Special Revenue Funds	0	313,813	0	0	202,381	516,194
Debt Service Funds	0	0	857,899	1,318,553	0	2,176,452
Capital Projects Funds	0	0	0	0	708,867	708,867
Total Fund Balances	<u>\$ 1,323,965</u>	<u>\$ 313,813</u>	<u>\$ 957,899</u>	<u>\$ 1,318,553</u>	<u>\$ 1,319,722</u>	<u>\$ 5,233,952</u>
Total Liabilities and Fund Balances	<u>\$ 3,962,808</u>	<u>\$ 615,920</u>	<u>\$ 1,392,076</u>	<u>\$ 1,732,006</u>	<u>\$ 1,757,114</u>	<u>\$ 9,459,924</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, 2007

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 3,502,275	\$ 229,699	\$ 448,069	\$ 1,623,609	\$ 81,709	\$ 5,885,361
Licenses and Permits	102,202	0	0	0	0	102,202
Fines, Forfeitures, and Penalties	44,827	0	0	0	13,538	58,365
Charges for Current Services	41,845	0	0	0	760,031	801,876
Other Local Revenues	419,036	33,259	0	0	29,827	482,122
Fees Received from County Officials	925,219	0	0	0	0	925,219
State of Tennessee	628,889	1,738,638	0	0	237,847	2,605,374
Federal Government	108,764	0	116,432	0	301,563	526,759
Other Governments and Citizens Groups	65,170	0	0	0	0	65,170
<b>Total Revenues</b>	<b>\$ 5,838,227</b>	<b>\$ 2,001,596</b>	<b>\$ 564,501</b>	<b>\$ 1,623,609</b>	<b>\$ 1,424,515</b>	<b>\$ 11,452,448</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 1,075,513	\$ 0	\$ 0	\$ 0	\$ 308,759	\$ 1,384,272
Finance	459,730	0	0	0	0	459,730
Administration of Justice	420,693	0	0	0	0	420,693
Public Safety	2,890,429	0	0	0	618	2,891,047
Public Health and Welfare	65,674	0	0	0	1,317,409	1,383,083
Social, Cultural, and Recreational Services	169,082	0	0	0	0	169,082
Agricultural and Natural Resources	68,269	0	0	0	0	68,269
Other Operations	420,999	0	0	0	395,958	816,957
Highways	0	2,051,111	0	0	0	2,051,111
Debt Service:						
Principal on Debt	0	155,943	240,300	895,000	0	1,291,243
Interest on Debt	0	7,923	69,975	931,438	0	1,009,336
Other Debt Service	0	0	45,609	20,951	0	66,560
Capital Projects	0	0	0	0	1,636,946	1,636,946
<b>Total Expenditures</b>	<b>\$ 5,570,389</b>	<b>\$ 2,214,977</b>	<b>\$ 355,884</b>	<b>\$ 1,847,389</b>	<b>\$ 3,659,690</b>	<b>\$ 13,648,329</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 267,838	\$ (213,381)	\$ 208,617	\$ (223,780)	\$ (2,235,175)	\$ (2,195,881)

(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	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 215,000	\$ 200,000	\$ 0	\$ 0	\$ 1,401,560	\$ 1,816,560
Capital Leases Issued	191,258	0	0	0	208,252	399,510
Other Loans Issued	0	0	0	0	915,402	915,402
Insurance Recovery	33,908	0	0	0	1,080	34,988
Transfers In	0	0	0	0	437,000	437,000
Transfers Out	(167,000)	0	0	0	0	(167,000)
Total Other Financing Sources (Uses)	\$ 273,166	\$ 200,000	\$ 0	\$ 0	\$ 2,963,294	\$ 3,436,460
Net Change in Fund Balances	\$ 541,004	\$ (13,381)	\$ 208,617	\$ (223,780)	\$ 728,119	\$ 1,240,579
Fund Balance, July 1, 2006	782,961	327,194	749,282	1,542,333	591,603	3,993,373
Fund Balance, June 30, 2007	\$ 1,323,965	\$ 313,813	\$ 957,899	\$ 1,318,553	\$ 1,319,722	\$ 5,233,952

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, 2007

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 742,266
Accounts Receivable	103,874
Allowance for Uncollectibles	(9,551)
Due from Other Governments	3,077
Total Current Assets	<u>\$ 839,666</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 2,033,084
Landfill Facilities and Development	113,872
Machinery and Equipment	522,483
Construction in Progress	939,539
Total Noncurrent Assets	<u>\$ 3,608,978</u>
Total Assets	<u>\$ 4,448,644</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 36,582
Payroll Deductions Payable	1,645
Contracts Payable	409,516
Retainage Payable	73,816
Total Current Liabilities	<u>\$ 521,559</u>
Noncurrent Liabilities:	
Due Within One Year	\$ 248,304
Due in More Than One Year	3,123,726
Total Noncurrent Liabilities	<u>\$ 3,372,030</u>
Total Liabilities	<u>\$ 3,893,589</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,700,550
Unrestricted	<u>(1,145,495)</u>
Total Net Assets	<u>\$ 555,055</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, 2007

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,056,743
Other Local Revenues	37,239
Total Operating Revenues	<u>\$ 1,093,982</u>
<u>Operating Expenses</u>	
Landfill Operation and Maintenance	\$ 758,963
Depreciation	163,379
Total Operating Expenses	<u>\$ 922,342</u>
Operating Income (Loss)	<u>\$ 171,640</u>
<u>Nonoperating Revenues (Expenses)</u>	
Grants	\$ 18,280
Gain on Sale of Capital Assets	7,085
Interest on Notes	(13,755)
Total Nonoperating Expenses	<u>\$ 11,610</u>
Income (Loss) Before Operating Transfers	\$ 183,250
Transfers Out	<u>(270,000)</u>
Change in Net Assets	\$ (86,750)
Net Assets, July 1, 2006	558,041
Prior Period Adjustment	<u>83,764</u>
Net Assets, June 30, 2007	<u><u>\$ 555,055</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, 2007

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal</u>
 <u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 1,143,633
Payments for Landfill Operations	(731,923)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 411,710</u>
 <u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Grants Received	\$ 18,280
Transfers Out	(270,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (251,720)</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of Capital Assets	\$ (327,600)
Proceeds from Other Loan	280,800
Proceeds from Sale of Capital Assets	22,851
Principal Paid on Capital Outlay Note	(186,528)
Interest Paid on Capital Outlay Note	(13,755)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (224,232)</u>
 Net Increase (Decrease) in Cash	 \$ (64,242)
Cash, July 1, 2006	<u>806,508</u>
 Cash, June 30, 2007	 <u>\$ 742,266</u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 171,640
Adjustment to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	163,379
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	55,918
Increase (Decrease) in Allowance for Uncollectibles	(4,569)
(Increase) Decrease in Due from Other Governments	(1,698)
Increase (Decrease) in Accounts Payable	26,153
Increase (Decrease) in Payroll Deductions Payable	887
Net Cash Provided By (Used In) Operating Activities	<u>\$ 411,710</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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 940,527
Investments	45,729
Accounts Receivable	225
Due from Other Governments	<u>169,837</u>
Total Assets	<u>\$ 1,156,318</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 169,837
Due to Litigants, Heirs, and Others	<u>986,481</u>
Total Liabilities	<u>\$ 1,156,318</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, 2007**

**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 No. 34 and accounting principles generally accepted in the United States of America. Smith County has elected instead to implement only 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 No. 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement No. 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 nonmajor special revenue fund, had not been audited by other auditors and were not 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’s 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 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**

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 2.25 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 and proprietary fund 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 and the proprietary fund.

### **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.

**7. Prior-period Adjustment**

Net assets of the Solid Waste Disposal Fund were increased and restated by \$83,764 at the beginning of the year. This adjustment was the result of updated engineering estimates for closure/postclosure costs which reduced the estimated liability reflected on the financial statements of the proprietary fund.

**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 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 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 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 unrestricted net asset deficit of \$1,145,495 at June 30, 2007. 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 an unreserved fund balance deficit of \$17,987 at June 30, 2007. This 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 Solid Waste/Sanitation Fund (a nonmajor special revenue fund) had an unreserved fund balance deficit of \$11,350 at June 30, 2007. This deficit resulted from expenditures and encumbrances exceeding available funds. This deficit is expected to be liquidated from funds transferred from the Solid Waste Disposal Fund.

The Other Capital Projects Fund had an unreserved fund balance deficit of \$260,696 at June 30, 2007. This deficit resulted from unperformed construction contracts of \$295,444 being reserved as encumbrances (\$86,434) and reflected as contracts payable (\$162,553) and retainage payable (\$46,957) at year end. Funding for these future expenditures is expected to be received from loan proceeds.

### **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, 2007, 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	\$ 39,480
Money Market Funds	On Demand	<u>6,249</u>
Total		<u>\$ 45,729</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, 2007, 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. The underlying securities for the \$45,279 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. Notes Receivable**

Notes receivable in the General Debt Service Fund resulted from an interest-free loan to the Industrial Development Board of Smith County. This note receivable (\$100,000) is reflected on the balance sheet with the offsetting Reserve for Long-term Notes Receivable account and is scheduled to be repaid to the county in ten equal annual installments.

**C. Capital Assets**

Capital assets activity of the Solid Waste Disposal Fund, proprietary fund, for the year ended June 30, 2007, was as follows:

**Business-type Activities:**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 2,033,084	\$ 0	\$ 0	\$ 2,033,084
Construction in Progress	169,032	770,507	0	939,539
Total Capital Assets				
Not Depreciated	\$ 2,202,116	\$ 770,507	\$ 0	\$ 2,972,623

**Business-type Activities: (Cont.)**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Depreciated:				
Landfill Facilities and				
Development	\$ 1,221,411	\$ 0	\$ 0	\$ 1,221,411
Machinery and Equipment	1,515,711	40,425	(135,500)	1,420,636
Total Capital Assets				
Depreciated	<u>\$ 2,737,122</u>	<u>\$ 40,425</u>	<u>\$ (135,500)</u>	<u>\$ 2,642,047</u>
Less Accumulated				
Depreciation For:				
Landfill Facilities and				
Development	\$ 1,046,388	\$ 61,151	\$ 0	\$ 1,107,539
Machinery and Equipment	915,659	113,644	(131,150)	898,153
Total Accumulated				
Depreciation	<u>\$ 1,962,047</u>	<u>\$ 174,795</u>	<u>\$ (131,150)</u>	<u>\$ 2,005,692</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 775,075</u>	<u>\$ (134,370)</u>	<u>\$ (4,350)</u>	<u>\$ 636,355</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 2,977,191</u>	<u>\$ 636,137</u>	<u>\$ (4,350)</u>	<u>\$ 3,608,978</u>

**D. Construction Commitments**

At June 30, 2007, the Other Capital Projects Fund had uncompleted construction contracts of approximately \$86,434 for the construction of an agricultural center. Funding for these future expenditures is expected to be received from loan proceeds.

**E. Interfund Transfers**

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

Transfers Out	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ 167,000
Solid Waste Disposal Fund	<u>270,000</u>
Total	<u>\$ 437,000</u>

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

**F. 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 from 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 from the General Fund.

On October 23, 2006, Smith County entered into a three-year lease-purchase agreement for roll-off trucks. The terms of this agreement call for total lease payments of \$208,252 plus interest at 4.35 percent. The lease payments are made from the Solid Waste/Sanitation Fund.

On March 19, 2007, Smith County entered into two separate three-year lease-purchase agreements for patrol cars. The terms of these agreements call for total lease payments of \$74,768 and \$116,490, respectively, plus interest at 5.71 percent on each lease. The lease payments are made from 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, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 195,759
2009	175,734
2010	<u>127,534</u>
Total Minimum Lease Payments	\$ 499,027
Less: Amount Representing Interest	<u>(42,654)</u>
 Present Value of Minimum Lease Payments	 \$ <u>456,373</u>

**G. 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, 2007, 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, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	3 to 5.5 %	\$ 23,247,200	\$ 5,556,051
General Obligation Bonds - Refunding	5	12,800,000	12,800,000
Capital Outlay Notes	2.92 to 4.76	2,797,313	2,248,726
Other Loan	Variable	997,097	898,097
Capital Leases	4.35 to 6.5	728,951	456,373

In the prior 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, 2007, the county had borrowed \$997,097 of the available amount. This loan is repayable at an interest rate that is a

tax-exempt variable rate 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, 2007, the variable interest rate was 3.95 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, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 944,056	\$ 905,517	\$ 348,477	\$ 92,346
2009	989,240	861,673	292,477	78,414
2010	1,034,432	813,853	279,604	66,084
2011	1,079,632	761,728	192,328	54,284
2012	1,104,842	708,080	143,394	46,210
2013-2017	6,492,713	2,684,402	750,292	138,866
2018-2022	6,469,588	885,777	242,154	13,765
2023-2027	43,176	54,439	0	0
2028-2032	53,899	43,716	0	0
2033-2037	67,288	30,326	0	0
2038-2042	71,657	13,818	0	0
2043-2044	5,528	566	0	0
Total	\$ 18,356,051	\$ 7,763,895	\$ 2,248,726	\$ 489,969

Year Ending June 30	Other Loan (\$997,097)			
	Principal	Interest	Other Fees	Total
2008	\$ 51,000	\$ 45,465	\$ 6,725	\$ 103,190
2009	53,000	43,450	6,480	102,930
2010	54,000	41,356	6,226	101,582
2011	55,000	39,223	5,966	100,189
2012	57,000	37,051	5,702	99,753
2013-2017	306,000	150,416	24,278	480,694
2018-2022	322,097	86,940	16,565	425,602
Total	\$ 898,097	\$ 443,901	\$ 71,942	\$ 1,413,940

There is \$857,899 available in the General Debt Service Fund and \$1,318,553 in the Education Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,039, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,243, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2006	\$ 19,268,600	\$ 738,250
Additions	0	1,816,560
Deductions	<u>(912,549)</u>	<u>(306,084)</u>
Balance, June 30, 2007	<u>\$ 18,356,051</u>	<u>\$ 2,248,726</u>
Balance Due Within One Year	<u>\$ 944,056</u>	<u>\$ 348,477</u>

	<u>Capital Leases</u>	<u>Other Loans</u>
Balance, July 1, 2006	\$ 196,389	\$ 32,695
Additions	399,510	915,402
Deductions	<u>(139,526)</u>	<u>(50,000)</u>
Balance, June 30, 2007	<u>\$ 456,373</u>	<u>\$ 898,097</u>
Balance Due Within One Year	<u>\$ 173,438</u>	<u>\$ 51,000</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, 2007, 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, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Notes		Other Loan	
	Principal	Interest	Principal	Interest
2008	\$ 186,528	\$ 7,845	\$ 1,721,900	\$ 73,181
Total	\$ 186,528	\$ 7,845	\$ 1,721,900	\$ 73,181

**Changes in Long-term Liabilities**

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2007, was as follows:

**Business-type Activities:**

	Notes	Other Loan	Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 373,056	\$ 1,441,100	\$ 1,547,366
Additions	0	280,800	0
Deductions	(186,528)	0	(83,764)
Balance, June 30, 2007	\$ 186,528	\$ 1,721,900	\$ 1,463,602
Balance Due Within One Year	\$ 186,528	\$ 1,721,900	\$ 8,316

Debt per capita of the enterprise fund, including notes and the other loan, totaled \$108, based on the 2000 federal census.

**H. Short-term Debt**

Smith County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. 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, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 400,000	\$ (400,000)	\$ 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. Subsequent Events

On July 16, 2007, Smith County issued capital outlay notes totaling \$700,000 for landfill expansion. These notes were issued at an interest rate of 4.21 percent and the proceeds were deposited into the Solid Waste Disposal Fund.

During the period July 1, 2007, to September 11, 2007, Smith County received other loans under previously approved loan agreements. Loan proceeds of \$252,903 and \$278,100 were received for the agricultural building project and the landfill project, respectively.

On September 1, 2007, the \$2,000,000 USDA Rural Development loan reflected in the financial statements of the Solid Waste Disposal Fund was converted to Solid Waste Facility Tax and Revenue Bonds. These bonds were issued at an interest rate of 4.25 percent and have a maturity date of November 5, 2037.

**C. 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 as of the date of this report.

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.

**D. Changes in Administration**

On August 31, 2006, Carol Gibbs left the Office of Register and was succeeded by Jerri Lin Vaden, and Johnny Bane left the Office of Sheriff and was succeeded by Ronald Lankford.

**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 \$1,463,602 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the old landfill (\$182,952), 35 percent of the capacity of the current Class I landfill cell (\$1,236,151), and 99 percent of the current Class III/IV landfill cell (\$44,499). The current landfill will recognize the remaining estimated cost of closure and postclosure care of \$2,252,909 as the remaining estimated capacity of the landfill is used. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. 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, 2007, 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 2006-07 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

### Employees

#### **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 <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, 2007, was 6.45 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, 2007, Smith County's annual pension cost of \$347,449 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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
6-30-07	\$347,449	100%	\$0
6-30-06	274,986	100	0
6-30-05	276,405	100	0

#### I. Purchasing Laws

##### Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provide for all purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) to be made after public advertisement and solicitation of competitive bids.

##### 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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,502,275	\$ 0	\$ 0	\$ 3,502,275	\$ 3,334,752	\$ 3,369,689	\$ 132,586
Licenses and Permits	102,202	0	0	102,202	74,500	74,500	27,702
Fines, Forfeitures, and Penalties	44,827	0	0	44,827	38,500	38,500	6,327
Charges for Current Services	41,845	0	0	41,845	20,800	30,800	11,045
Other Local Revenues	419,036	0	0	419,036	301,600	303,693	115,343
Fees Received from County Officials	925,219	0	0	925,219	777,000	777,000	148,219
State of Tennessee	628,889	0	0	628,889	483,909	543,409	85,480
Federal Government	108,764	0	0	108,764	51,168	65,133	43,631
Other Governments and Citizens Groups	65,170	0	0	65,170	750	65,138	32
<b>Total Revenues</b>	<b>\$ 5,838,227</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 5,838,227</b>	<b>\$ 5,082,979</b>	<b>\$ 5,267,862</b>	<b>\$ 570,365</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 40,521	\$ 0	\$ 200	\$ 40,721	\$ 40,378	\$ 41,908	\$ 1,187
Board of Equalization	2,100	0	0	2,100	2,100	2,100	0
County Mayor/Executive	156,073	(310)	54	155,817	156,306	157,506	1,689
County Attorney	75,534	0	0	75,534	15,000	74,937	(597)
Election Commission	178,884	(3,958)	945	175,871	181,237	181,237	5,366
Register of Deeds	126,438	0	2,565	129,003	139,096	139,096	10,093
Planning	10,750	0	0	10,750	13,000	13,000	2,250
Codes Compliance	86,783	0	6,464	93,247	96,296	96,296	3,049
County Buildings	398,430	(813)	6,134	403,751	428,817	470,917	67,166
<u>Finance</u>							
Property Assessor's Office	140,980	0	2,447	143,427	143,806	144,006	579
Reappraisal Program	16,786	0	0	16,786	20,193	19,993	3,207
County Trustee's Office	121,116	0	699	121,815	124,441	124,441	2,626
County Clerk's Office	180,848	(801)	766	180,813	183,960	183,960	3,147

(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 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 224,527	\$ (346)	\$ 1,074	\$ 225,255	\$ 236,680	\$ 236,680	\$ 11,425
General Sessions Judge	84,236	0	0	84,236	85,135	90,135	5,899
Chancery Court	92,960	(871)	236	92,325	99,043	99,043	6,718
Juvenile Court	700	0	0	700	4,200	4,200	3,500
Judicial Commissioners	16,870	0	21	16,891	17,674	17,674	783
Other Administration of Justice	1,400	0	0	1,400	0	5,000	3,600
<u>Public Safety</u>							
Sheriff's Department	1,808,770	0	11,583	1,820,353	1,351,954	1,873,507	53,154
Traffic Control	913	0	0	913	1,000	1,000	87
Jail	240,333	(6,960)	15,558	248,931	182,376	259,904	10,973
Correctional Incentive Program Improvements	374,084	0	0	374,084	414,823	380,523	6,439
Juvenile Services	31,599	0	224	31,823	33,227	33,227	1,404
Fire Prevention and Control	163,928	(1,755)	708	162,881	182,521	182,521	19,640
Civil Defense	26,734	0	267	27,001	25,750	27,201	200
Other Emergency Management	39,247	(695)	0	38,552	23,350	38,615	63
Inspection and Regulation	2,584	0	0	2,584	2,584	2,584	0
County Coroner/Medical Examiner	21,620	0	0	21,620	35,000	31,400	9,780
Other Public Safety	180,617	0	0	180,617	166,732	188,093	7,476
<u>Public Health and Welfare</u>							
Local Health Center	19,293	(626)	868	19,535	20,996	29,486	9,951
Crippled Children Services	1,272	0	0	1,272	1,272	1,272	0
Other Local Health Services	7,657	0	0	7,657	7,657	7,657	0
Appropriation to State	4,010	0	0	4,010	12,500	4,010	0
Aid to Dependent Children	0	0	0	0	1,500	1,500	1,500
Other Local Welfare Services	5,000	0	0	5,000	5,000	5,000	0
Waste Pickup	25,253	0	2,175	27,428	29,237	29,237	1,809

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Other Public Health and Welfare	\$ 3,189	\$ 0	\$ 0	\$ 3,189	\$ 5,400	\$ 5,400	\$ 2,211
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	3,713	0	0	3,713	4,299	4,299	586
Senior Citizens Assistance	40,567	0	38	40,605	38,867	41,267	662
Libraries	64,065	0	0	64,065	64,065	64,065	0
Parks and Fair Boards	46,542	(5,374)	1,242	42,410	45,900	46,658	4,248
Other Social, Cultural, and Recreational	14,195	(281)	895	14,809	15,500	15,500	691
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	57,269	0	0	57,269	57,590	57,590	321
Soil Conservation	11,000	0	0	11,000	11,000	11,000	0
<u>Other Operations</u>							
Tourism	300	0	0	300	2,300	2,300	2,000
Industrial Development	3,550	0	0	3,550	6,000	6,100	2,550
Other Economic and Community Development	32,867	0	0	32,867	32,867	32,867	0
Veterans' Services	9,257	0	0	9,257	11,052	11,052	1,795
Other Charges	73,265	0	0	73,265	73,265	73,265	0
Employee Benefits	129,116	0	0	129,116	130,963	135,963	6,847
Miscellaneous	172,644	0	52	172,696	257,590	249,713	77,017
Total Expenditures	\$ 5,570,389	\$ (22,790)	\$ 55,215	\$ 5,602,814	\$ 5,241,499	\$ 5,955,905	\$ 353,091
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 267,838	\$ 22,790	\$ (55,215)	\$ 235,413	\$ (158,520)	\$ (688,043)	\$ 923,456
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 215,000	\$ 0	\$ 0	\$ 215,000	\$ 195,000	\$ 195,000	\$ 20,000
Capital Leases Issued	191,258	0	0	191,258	0	191,258	0

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Insurance Recovery	\$ 33,908	\$ 0	\$ 0	\$ 33,908	\$ 0	\$ 29,218	\$ 4,690
Transfers Out	(167,000)	0	0	(167,000)	(218,093)	(218,093)	51,093
Total Other Financing Sources (Uses)	\$ 273,166	\$ 0	\$ 0	\$ 273,166	\$ (23,093)	\$ 197,383	\$ 75,783
Net Change in Fund Balance	\$ 541,004	\$ 22,790	\$ (55,215)	\$ 508,579	\$ (181,613)	\$ (490,660)	\$ 999,239
Fund Balance, July 1, 2006	782,961	(22,790)	0	760,171	743,064	743,064	17,107
Fund Balance, June 30, 2007	\$ 1,323,965	\$ 0	\$ (55,215)	\$ 1,268,750	\$ 561,451	\$ 252,404	\$ 1,016,346

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 229,699	\$ 244,344	\$ 244,344	\$ (14,645)
Other Local Revenues	33,259	50,000	50,000	(16,741)
State of Tennessee	1,738,638	2,144,995	2,144,995	(406,357)
Total Revenues	\$ 2,001,596	\$ 2,439,339	\$ 2,439,339	\$ (437,743)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 153,291	\$ 151,477	\$ 158,591	\$ 5,300
Highway and Bridge Maintenance	928,750	1,059,164	1,268,879	340,129
Operation and Maintenance of Equipment	235,887	321,813	331,013	95,126
Other Charges	118,000	112,024	121,739	3,739
Employee Benefits	306,595	343,924	349,388	42,793
Capital Outlay	308,588	887,000	576,204	267,616
<u>Principal on Debt</u>				
Highways and Streets	155,943	90,391	155,949	6
<u>Interest on Debt</u>				
Highways and Streets	7,923	3,894	7,924	1
Total Expenditures	\$ 2,214,977	\$ 2,969,687	\$ 2,969,687	\$ 754,710
Excess (Deficiency) of Revenues Over Expenditures	\$ (213,381)	\$ (530,348)	\$ (530,348)	\$ 316,967
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 200,000	\$ 200,000	\$ 200,000	\$ 0
Total Other Financing Sources (Uses)	\$ 200,000	\$ 200,000	\$ 200,000	\$ 0
Net Change in Fund Balance	\$ (13,381)	\$ (330,348)	\$ (330,348)	\$ 316,967
Fund Balance, July 1, 2006	327,194	330,348	330,348	(3,154)
Fund Balance, June 30, 2007	\$ 313,813	\$ 0	\$ 0	\$ 313,813

Exhibit E-3

Smith County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

**Required Supplementary Information**

Schedule of Funding Progress for Smith County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll ((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

**SMITH COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**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.

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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 to 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.

Community Projects Fund – The Community Projects Fund is used to account for capital expenditures for the construction of a farmer’s market 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.

Other Capital Projects Fund – The Other Capital 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, 2007

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Total
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 206,164	\$ 10,769	\$ 164,122	\$ 27,593	\$ 408,648
Accounts Receivable	0	0	796,279	0	796,279
Allowance for Uncollectibles	0	0	(517,581)	0	(517,581)
Total Assets	<u>\$ 206,164</u>	<u>\$ 10,769</u>	<u>\$ 442,820</u>	<u>\$ 27,593</u>	<u>\$ 687,346</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	0
Payroll Deductions Payable	0	224	1,356	0	1,580
Contracts Payable	0	0	0	0	0
Retainage Payable	0	0	0	0	0
Other Deferred Revenues	0	0	222,698	0	222,698
Total Liabilities	<u>\$ 0</u>	<u>\$ 224</u>	<u>\$ 224,054</u>	<u>\$ 0</u>	<u>\$ 224,278</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 1,750	\$ 21,895	\$ 14,641	\$ 0	\$ 38,286
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	222,401	0	0	0	222,401
Unreserved (Deficit)	(17,987)	(11,350)	204,125	27,593	202,381
Total Fund Balances	<u>\$ 206,164</u>	<u>\$ 10,545</u>	<u>\$ 218,766</u>	<u>\$ 27,593</u>	<u>\$ 463,068</u>
Total Liabilities and Fund Balances	<u>\$ 206,164</u>	<u>\$ 10,769</u>	<u>\$ 442,820</u>	<u>\$ 27,593</u>	<u>\$ 687,346</u>

(Continued)

Exhibit F-1

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	General Capital Projects	HUD Grant Projects	Other Capital Projects	Total	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 967,542	\$ 2,500	\$ 99,726	\$ 1,069,768	\$ 1,478,416
Accounts Receivable	0	0	0	0	796,279
Allowance for Uncollectibles	0	0	0	0	(517,581)
Total Assets	<u>\$ 967,542</u>	<u>\$ 2,500</u>	<u>\$ 99,726</u>	<u>\$ 1,069,768</u>	<u>\$ 1,757,114</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 3,604	\$ 3,604	\$ 3,604
Payroll Deductions Payable	0	0	0	0	1,580
Contracts Payable	0	0	162,553	162,553	162,553
Retainage Payable	0	0	46,957	46,957	46,957
Other Deferred Revenues	0	0	0	0	222,698
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 213,114</u>	<u>\$ 213,114</u>	<u>\$ 437,392</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 479	\$ 0	\$ 147,308	\$ 147,787	\$ 186,073
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	222,401
Unreserved (Deficit)	967,063	2,500	(260,696)	708,867	911,248
Total Fund Balances	<u>\$ 967,542</u>	<u>\$ 2,500</u>	<u>\$ (113,388)</u>	<u>\$ 856,654</u>	<u>\$ 1,319,722</u>
Total Liabilities and Fund Balances	<u>\$ 967,542</u>	<u>\$ 2,500</u>	<u>\$ 99,726</u>	<u>\$ 1,069,768</u>	<u>\$ 1,757,114</u>

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, 2007

	Special Revenue Funds				
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Total
<u>Revenues</u>					
Local Taxes	\$ 81,709	\$ 0	\$ 0	\$ 0	\$ 81,709
Fines, Forfeitures, and Penalties	539	0	0	12,999	13,538
Charges for Current Services	0	0	760,031	0	760,031
Other Local Revenues	0	4,041	10,786	0	14,827
State of Tennessee	0	0	0	0	0
Federal Government	0	0	0	0	0
Total Revenues	\$ 82,248	\$ 4,041	\$ 770,817	\$ 12,999	\$ 870,105
<u>Expenditures</u>					
Current:					
General Government	\$ 308,759	\$ 0	\$ 0	\$ 0	\$ 308,759
Public Safety	0	0	0	618	618
Public Health and Welfare	0	486,854	830,555	0	1,317,409
Other Operations	876	457	0	0	1,333
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 309,635	\$ 487,311	\$ 830,555	\$ 618	\$ 1,628,119
Excess (Deficiency) of Revenues Over Expenditures	\$ (227,387)	\$ (483,270)	\$ (59,738)	\$ 12,381	\$ (758,014)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 280,000	\$ 0	\$ 54,760	\$ 0	\$ 334,760
Capital Leases Issued	0	208,252	0	0	208,252
Other Loans Issued	0	0	0	0	0
Insurance Recovery	0	0	1,080	0	1,080
Transfers In	0	270,000	167,000	0	437,000
Total Other Financing Sources (Uses)	\$ 280,000	\$ 478,252	\$ 222,840	\$ 0	\$ 981,092
Net Change in Fund Balances	\$ 52,613	\$ (5,018)	\$ 163,102	\$ 12,381	\$ 223,078
Fund Balance, July 1, 2006	153,551	15,563	55,664	15,212	239,990
Fund Balance, June 30, 2007	\$ 206,164	\$ 10,545	\$ 218,766	\$ 27,593	\$ 463,068

(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	Community Projects	CDBG Waterline Projects	HUD Grant Projects	Other Capital Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,709
Fines, Forfeitures, and Penalties	0	0	0	0	0	0	13,538
Charges for Current Services	0	0	0	0	0	0	760,031
Other Local Revenues	0	0	0	0	15,000	15,000	29,827
State of Tennessee	15,000	1,495	221,352	0	0	237,847	237,847
Federal Government	54,063	0	0	0	247,500	301,563	301,563
<b>Total Revenues</b>	<b>\$ 69,063</b>	<b>\$ 1,495</b>	<b>\$ 221,352</b>	<b>\$ 0</b>	<b>\$ 262,500</b>	<b>\$ 554,410</b>	<b>\$ 1,424,515</b>
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 308,759
Public Safety	0	0	0	0	0	0	618
Public Health and Welfare	0	0	0	0	0	0	1,317,409
Other Operations	181,888	1,495	211,242	0	0	394,625	395,958
Capital Projects	0	0	0	0	1,636,946	1,636,946	1,636,946
<b>Total Expenditures</b>	<b>\$ 181,888</b>	<b>\$ 1,495</b>	<b>\$ 211,242</b>	<b>\$ 0</b>	<b>\$ 1,636,946</b>	<b>\$ 2,031,571</b>	<b>\$ 3,659,690</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (112,825)	\$ 0	\$ 10,110	\$ 0	\$ (1,374,446)	\$ (1,477,161)	\$ (2,235,175)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 1,066,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,066,800	\$ 1,401,560
Capital Leases Issued	0	0	0	0	0	0	208,252
Other Loans Issued	0	0	0	0	915,402	915,402	915,402
Insurance Recovery	0	0	0	0	0	0	1,080
Transfers In	0	0	0	0	0	0	437,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 1,066,800</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 915,402</b>	<b>\$ 1,982,202</b>	<b>\$ 2,963,294</b>
Net Change in Fund Balances	\$ 953,975	\$ 0	\$ 10,110	\$ 0	\$ (459,044)	\$ 505,041	\$ 728,119
Fund Balance, July 1, 2006	13,567	0	(10,110)	2,500	345,656	351,613	591,603
<b>Fund Balance, June 30, 2007</b>	<b>\$ 967,542</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,500</b>	<b>\$ (113,388)</b>	<b>\$ 856,654</b>	<b>\$ 1,319,722</b>

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 81,709	\$ 0	\$ 0	\$ 81,709	\$ 77,500	\$ 77,500	\$ 4,209
Fines, Forfeitures, and Penalties	539	0	0	539	1,750	1,750	(1,211)
Charges for Current Services	0	0	0	0	250	250	(250)
<b>Total Revenues</b>	<b>\$ 82,248</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 82,248</b>	<b>\$ 79,500</b>	<b>\$ 79,500</b>	<b>\$ 2,748</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Buildings	\$ 308,759	\$ (100)	\$ 1,750	\$ 310,409	\$ 72,200	\$ 352,200	\$ 41,791
<u>Other Operations</u>							
Miscellaneous	876	0	0	876	1,000	1,000	124
<b>Total Expenditures</b>	<b>\$ 309,635</b>	<b>\$ (100)</b>	<b>\$ 1,750</b>	<b>\$ 311,285</b>	<b>\$ 73,200</b>	<b>\$ 353,200</b>	<b>\$ 41,915</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (227,387)	\$ 100	\$ (1,750)	\$ (229,037)	\$ 6,300	\$ (273,700)	\$ 44,663
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 280,000	\$ 0	\$ 0	\$ 280,000	\$ 0	\$ 280,000	\$ 0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 280,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 280,000</b>	<b>\$ 0</b>	<b>\$ 280,000</b>	<b>\$ 0</b>
Net Change in Fund Balance	\$ 52,613	\$ 100	\$ (1,750)	\$ 50,963	\$ 6,300	\$ 6,300	\$ 44,663
Fund Balance, July 1, 2006	153,551	(100)	0	153,451	150,335	150,335	3,116
<b>Fund Balance, June 30, 2007</b>	<b>\$ 206,164</b>	<b>\$ 0</b>	<b>\$ (1,750)</b>	<b>\$ 204,414</b>	<b>\$ 156,635</b>	<b>\$ 156,635</b>	<b>\$ 47,779</b>

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 4,041	\$ 0	\$ 0	\$ 4,041	\$ 2,000	\$ 2,150	\$ 1,891
Total Revenues	\$ 4,041	\$ 0	\$ 0	\$ 4,041	\$ 2,000	\$ 2,150	\$ 1,891
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Waste Pickup	\$ 318,535	\$ (1,057)	\$ 7,991	\$ 325,469	\$ 130,429	\$ 338,681	\$ 13,212
Convenience Centers	168,287	(1,017)	13,904	181,174	213,909	214,059	32,885
Other Waste Disposal	32	0	0	32	32	32	0
<u>Other Operations</u>							
Employee Benefits	457	0	0	457	457	457	0
Total Expenditures	\$ 487,311	\$ (2,074)	\$ 21,895	\$ 507,132	\$ 344,827	\$ 553,229	\$ 46,097
Excess (Deficiency) of Revenues Over Expenditures	\$ (483,270)	\$ 2,074	\$ (21,895)	\$ (503,091)	\$ (342,827)	\$ (551,079)	\$ 47,988
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 208,252	\$ 0	\$ 0	\$ 208,252	\$ 0	\$ 208,252	\$ 0
Transfers In	270,000	0	0	270,000	338,838	338,838	(68,838)
Total Other Financing Sources (Uses)	\$ 478,252	\$ 0	\$ 0	\$ 478,252	\$ 338,838	\$ 547,090	\$ (68,838)
Net Change in Fund Balance	\$ (5,018)	\$ 2,074	\$ (21,895)	\$ (24,839)	\$ (3,989)	\$ (3,989)	\$ (20,850)
Fund Balance, July 1, 2006	15,563	(2,074)	0	13,489	3,989	3,989	9,500
Fund Balance, June 30, 2007	\$ 10,545	\$ 0	\$ (21,895)	\$ (11,350)	\$ 0	\$ 0	\$ (11,350)

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 760,031	\$ 0	\$ 0	\$ 760,031	\$ 610,050	\$ 610,050	\$ 149,981
Other Local Revenues	10,786	0	0	10,786	3,000	3,000	7,786
<b>Total Revenues</b>	<b>\$ 770,817</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 770,817</b>	<b>\$ 613,050</b>	<b>\$ 613,050</b>	<b>\$ 157,767</b>
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Ambulance/Emergency Medical Services	\$ 830,555	\$ (7,302)	\$ 14,641	\$ 837,894	\$ 922,587	\$ 922,587	\$ 84,693
<b>Total Expenditures</b>	<b>\$ 830,555</b>	<b>\$ (7,302)</b>	<b>\$ 14,641</b>	<b>\$ 837,894</b>	<b>\$ 922,587</b>	<b>\$ 922,587</b>	<b>\$ 84,693</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (59,738)	\$ 7,302	\$ (14,641)	\$ (67,077)	\$ (309,537)	\$ (309,537)	\$ 242,460
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 54,760	\$ 0	\$ 0	\$ 54,760	\$ 56,000	\$ 56,000	\$ (1,240)
Insurance Recovery	1,080	0	0	1,080	0	0	1,080
Transfers In	167,000	0	0	167,000	218,093	218,093	(51,093)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 222,840</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 222,840</b>	<b>\$ 274,093</b>	<b>\$ 274,093</b>	<b>\$ (51,253)</b>
Net Change in Fund Balance	\$ 163,102	\$ 7,302	\$ (14,641)	\$ 155,763	\$ (35,444)	\$ (35,444)	\$ 191,207
Fund Balance, July 1, 2006	55,664	(7,302)	0	48,362	35,444	35,444	12,918
<b>Fund Balance, June 30, 2007</b>	<b>\$ 218,766</b>	<b>\$ 0</b>	<b>\$ (14,641)</b>	<b>\$ 204,125</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 204,125</b>

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,999	\$ 11,200	\$ 11,200	\$ 1,799
Total Revenues	\$ 12,999	\$ 11,200	\$ 11,200	\$ 1,799
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 599	\$ 9,000	\$ 9,000	\$ 8,401
Drug Enforcement	19	50	50	31
Total Expenditures	\$ 618	\$ 9,050	\$ 9,050	\$ 8,432
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,381	\$ 2,150	\$ 2,150	\$ 10,231
Net Change in Fund Balance	\$ 12,381	\$ 2,150	\$ 2,150	\$ 10,231
Fund Balance, July 1, 2006	15,212	14,157	14,157	1,055
Fund Balance, June 30, 2007	\$ 27,593	\$ 16,307	\$ 16,307	\$ 11,286

# 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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 448,069	\$ 435,770	\$ 435,770	\$ 12,299
Other Local Revenues	0	42,480	42,480	(42,480)
Federal Government	116,432	0	0	116,432
Total Revenues	<u>\$ 564,501</u>	<u>\$ 478,250</u>	<u>\$ 478,250</u>	<u>\$ 86,251</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 240,300	\$ 280,301	\$ 270,301	\$ 30,001
<u>Interest on Debt</u>				
General Government	69,975	71,980	70,130	155
<u>Other Debt Service</u>				
General Government	45,609	8,800	45,650	41
Total Expenditures	<u>\$ 355,884</u>	<u>\$ 361,081</u>	<u>\$ 386,081</u>	<u>\$ 30,197</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 208,617</u>	<u>\$ 117,169</u>	<u>\$ 92,169</u>	<u>\$ 116,448</u>
Net Change in Fund Balance	\$ 208,617	\$ 117,169	\$ 92,169	\$ 116,448
Fund Balance, July 1, 2006	749,282	746,589	746,589	2,693
Fund Balance, June 30, 2007	<u>\$ 957,899</u>	<u>\$ 863,758</u>	<u>\$ 838,758</u>	<u>\$ 119,141</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,623,609	\$ 1,576,034	\$ 1,576,034	\$ 47,575
Total Revenues	\$ 1,623,609	\$ 1,576,034	\$ 1,576,034	\$ 47,575
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 895,000	\$ 895,000	\$ 895,000	\$ 0
<u>Interest on Debt</u>				
Education	931,438	931,438	931,438	0
<u>Other Debt Service</u>				
Education	20,951	21,000	21,000	49
Total Expenditures	\$ 1,847,389	\$ 1,847,438	\$ 1,847,438	\$ 49
Excess (Deficiency) of Revenues Over Expenditures	\$ (223,780)	\$ (271,404)	\$ (271,404)	\$ 47,624
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 296,000	\$ 296,000	\$ (296,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 296,000	\$ 296,000	\$ (296,000)
Net Change in Fund Balance	\$ (223,780)	\$ 24,596	\$ 24,596	\$ (248,376)
Fund Balance, July 1, 2006	1,542,333	1,472,899	1,472,899	69,434
Fund Balance, June 30, 2007	\$ 1,318,553	\$ 1,497,495	\$ 1,497,495	\$ (178,942)

# 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, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 940,527	\$ 940,527
Investments	0	45,729	45,729
Accounts Receivable	0	225	225
Due from Other Governments	169,837	0	169,837
	<hr/>		
Total Assets	\$ 169,837	\$ 986,481	\$ 1,156,318
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 169,837	\$ 0	\$ 169,837
Due to Litigants, Heirs, and Others	0	986,481	986,481
	<hr/>		
Total Liabilities	\$ 169,837	\$ 986,481	\$ 1,156,318

Exhibit H-2

Smith County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 937,459	\$ 937,459	\$ 0
Due from Other Governments	164,240	169,837	164,240	169,837
Total Assets	\$ 164,240	\$ 1,107,296	\$ 1,101,699	\$ 169,837
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 164,240	\$ 1,107,296	\$ 1,101,699	\$ 169,837
Total Liabilities	\$ 164,240	\$ 1,107,296	\$ 1,101,699	\$ 169,837
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 856,206	\$ 5,045,166	\$ 4,960,845	\$ 940,527
Investments	41,438	45,729	41,438	45,729
Accounts Receivable	464	225	464	225
Total Assets	\$ 898,108	\$ 5,091,120	\$ 5,002,747	\$ 986,481
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 898,108	\$ 5,091,120	\$ 5,002,747	\$ 986,481
Total Liabilities	\$ 898,108	\$ 5,091,120	\$ 5,002,747	\$ 986,481
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 937,459	\$ 937,459	\$ 0
Cash	856,206	5,045,166	4,960,845	940,527
Investments	41,438	45,729	41,438	45,729
Accounts Receivable	464	225	464	225
Due from Other Governments	164,240	169,837	164,240	169,837
Total Assets	\$ 1,062,348	\$ 6,198,416	\$ 6,104,446	\$ 1,156,318
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 164,240	\$ 1,107,296	\$ 1,101,699	\$ 169,837
Due to Litigants, Heirs, and Others	898,108	5,091,120	5,002,747	986,481
Total Liabilities	\$ 1,062,348	\$ 6,198,416	\$ 6,104,446	\$ 1,156,318

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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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or		Outstanding 6-30-07
						Issued During Period	Matured During Period	
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Ambulance	\$ 61,788	2.96	% 11-23-04	11-23-07	\$ 41,192	\$ 0	\$ 20,596	\$ 20,596
Ambulance	68,605	4.14	12-22-05	12-22-08	68,605	0	22,868	45,737
County Clerk Computer, Ambulance, and Fire Trucks	165,360	2.95	12-15-03	11-15-06	55,120	0	55,120	0
Land Purchase (Senior Center and Agriculture Center)	135,000	3.09	1-14-05	2-14-08	90,000	0	45,000	45,000
Agriculture Center	350,000	4.76	6-8-06	6-8-18	350,000	0	29,167	320,833
Courthouse and Turner Building Renovations	215,000	4.25	10-9-06	10-9-09	0	215,000	0	215,000
Ambulance	54,760	4.3	1-5-07	1-5-10	0	54,760	0	54,760
Health Department, Boat Ramp, Playground	1,066,800	3.85	1-16-07	1-16-19	0	1,066,800	0	1,066,800
Land Purchase (Jail Site)	280,000	4.22	3-27-07	3-27-16	0	280,000	0	280,000
Total Payable through General Debt Service Fund					<u>\$ 604,917</u>	<u>\$ 1,616,560</u>	<u>\$ 172,751</u>	<u>\$ 2,048,726</u>
<u>Payable through Highway/Public Works Fund</u>								
Highway Projects	200,000	2.92	11-29-04	6-30-07	\$ 133,333	\$ 0	\$ 133,333	\$ 0
Highway Projects	200,000	4.4	11-27-06	11-27-10	0	200,000	0	200,000
Total Payable through Highway/Public Works Fund					<u>\$ 133,333</u>	<u>\$ 200,000</u>	<u>\$ 133,333</u>	<u>\$ 200,000</u>
Total Notes Payable					<u>\$ 738,250</u>	<u>\$ 1,816,560</u>	<u>\$ 306,084</u>	<u>\$ 2,248,726</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Tractor and Boom-Mower	104,000	5.5	12-23-02	12-23-07	\$ 30,427	\$ 0	\$ 22,610	\$ 7,817
<u>Payable through Solid Waste/Sanitation Fund</u>								
Roll-Off Trucks	208,252	4.35	10-23-06	10-20-09	0	208,252	0	208,252
<u>Payable through General Fund</u>								
Patrol Cars	225,441	6.5	7-8-05	8-8-08	\$ 165,962	\$ 0	\$ 65,048	\$ 100,914
Patrol Cars	74,768	5.71	3-19-07	3-19-10	0	74,768	20,276	54,492
Patrol Cars	116,490	5.71	3-19-07	3-19-10	0	116,490	31,592	84,898
Total Payable through General Fund					<u>\$ 165,962</u>	<u>\$ 191,258</u>	<u>\$ 116,916</u>	<u>\$ 240,304</u>
Total Capital Leases Payable					<u>\$ 196,389</u>	<u>\$ 399,510</u>	<u>\$ 139,526</u>	<u>\$ 456,373</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 7-1-06	Issued During Period	Matured During Period	Outstanding 6-30-07
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Career/Agriculture Center Construction	\$ (1)	variable %	12-7-05	5-25-25	\$ 32,695	\$ 915,402	\$ 50,000	\$ 898,097
<b>BONDS PAYABLE</b>								
<u>Payable through Education Debt Service Fund</u>								
School Bonds, Series 2000	8,500,000	4.7 to 5.5	12-14-00	4-1-21	\$ 1,150,000	\$ 0	\$ 210,000	\$ 940,000
School Bonds, Series 2001	9,000,000	4.7 to 5.5	12-14-00	4-1-21	1,150,000	0	210,000	940,000
School Bonds, Series 2002	5,400,000	3 to 4.75	4-11-02	4-11-13	3,825,000	0	475,000	3,350,000
School Refunding Bonds, Series 2005	12,800,000	5	1-1-05	4-1-21	12,800,000	0	0	12,800,000
Total Payable through Education Debt Service Fund					\$ 18,925,000	\$ 0	\$ 895,000	\$ 18,030,000
<u>Payable through General Debt Service Fund</u>								
Welcome Center	90,000	4.25	10-16-03	10-16-43	\$ 86,400	\$ 0	\$ 2,500	\$ 83,900
USDA - Community Facility	257,200	4.63	5-26-06	5-26-42	257,200	0	15,049	242,151
Total Payable through General Debt Service Fund					\$ 343,600	\$ 0	\$ 17,549	\$ 326,051
Total Bonds Payable					\$ 19,268,600	\$ 0	\$ 912,549	\$ 18,356,051

(1) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$1,250,000 of which \$997,097 has been received at June 30, 2007.

Exhibit I-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 944,056	\$ 905,517	\$ 1,849,573
2009	989,240	861,673	1,850,913
2010	1,034,432	813,853	1,848,285
2011	1,079,632	761,728	1,841,360
2012	1,104,842	708,080	1,812,922
2013	1,125,062	656,461	1,781,523
2014	1,235,292	603,231	1,838,523
2015	1,310,531	541,492	1,852,023
2016	1,375,783	475,990	1,851,773
2017	1,446,045	407,228	1,853,273
2018	1,506,318	334,955	1,841,273
2019	1,576,604	259,669	1,836,273
2020	1,651,904	180,869	1,832,773
2021	1,727,217	98,306	1,825,523
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	7,232	19,522
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	16,040	3,482	19,522
2040	16,769	2,754	19,523
2041	17,530	1,993	19,523
2042	5,974	1,410	7,384
2043	4,343	375	4,718
2044	1,185	191	1,376
Total	<u>\$ 18,356,051</u>	<u>\$ 7,763,895</u>	<u>\$ 26,119,946</u>

Exhibit I-3

Smith County, Tennessee  
Schedule of Notes Receivable  
For the Year Ended June 30, 2007

Description	Original Amount of Loan	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-07
General Debt Service Fund	\$ 100,000	3-20-07	3-20-17	0%	<u>\$ 100,000</u>
Total Primary Government					<u><u>\$ 100,000</u></u>

Exhibit I-4

Smith County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Ambulance Service	Operations	\$ 167,000
Solid Waste Disposal	Solid Waste/Sanitation	Operations	<u>270,000</u>
Total Transfers			<u>\$ 437,000</u>

Exhibit I-5

Smith County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 60,139	\$ 50,000	The Cincinnati Insurance Company
Road Commissioner	Section 8-24-102, <u>TCA</u>	57,276	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,069	560,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,069	12,500	"
County Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	Western Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	The Cincinnati Insurance Company
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	55,415 (1)	50,000	"
Register:				
Carol Gibbs (7-1-06 to 8-31-06)	Section 8-24-102, <u>TCA</u>	8,812	25,000	"
Jerri Lin Vaden (9-1-06 to 6-30-07)	Section 8-24-102, <u>TCA</u>	43,257	25,000	"
Sheriff:				
Johnny Bane (7-1-06 to 8-31-06)	Section 8-24-102, <u>TCA</u>	9,756	25,000	"
Ronald Lankford (9-1-06 to 6-30-07)	Section 8-24-102, <u>TCA</u> and Section 8-8-102, <u>TCA</u>	40,659 (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 \$3,346.

(2) The sheriff was not certified by the POST commission at the time of election; therefore, his salary was reduced by 15 percent in accordance with Section 8-8-102, TCA.

Exhibit I-6

Smith County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2007

	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	\$ 2,387,804	\$ 0	\$ 0	\$ 0	\$ 0	160,979
Trustee's Collections - Prior Year	96,718	0	0	0	0	5,953
Trustee's Collections - Bankruptcy	1,455	0	0	0	0	88
Circuit/Clerk & Master Collections - Prior Years	65,000	0	0	0	0	3,860
Interest and Penalty	15,903	0	0	0	0	1,069
Payments in-Lieu-of Taxes - T.V.A.	1,015	0	0	0	0	68
Payments in-Lieu-of Taxes - Other	12,588	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	579,542	0	0	0	0	0
Wheel Tax	0	0	0	0	0	0
Litigation Tax - General	80,550	24,819	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	56,890	0	0	0	0
Business Tax	91,335	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	53,648
<u>Statutory Local Taxes</u>						
Bank Excise Tax	82,698	0	0	0	0	4,034
Wholesale Beer Tax	85,499	0	0	0	0	0
Interstate Telecommunications Tax	2,168	0	0	0	0	0
Total Local Taxes	\$ 3,502,275	\$ 81,709	\$ 0	\$ 0	\$ 0	229,699
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 11,102	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>						
Beer Permits	1,000	0	0	0	0	0
Building Permits	90,100	0	0	0	0	0
Total Licenses and Permits	\$ 102,202	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Jail Fees	\$ 0	\$ 539	\$ 0	\$ 0	\$ 0	0
Data Entry Fee - Circuit Court	486	0	0	0	0	0

(Continued)

Exhibit I-6

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

	Special Revenue Funds					Highway / Public Works
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>General Sessions Court</u>						
Fines	\$ 1,557	\$ 0	\$ 0	\$ 0	\$ 0	0
Game and Fish Fines	503	0	0	0	0	0
Drug Control Fines	1,282	0	0	0	12,999	0
Jail Fees	21,558	0	0	0	0	0
DUI Treatment Fines	5,556	0	0	0	0	0
Data Entry Fee - General Sessions Court	7,380	0	0	0	0	0
Courtroom Security Fee	1,832	0	0	0	0	0
<u>Juvenile Court</u>						
Data Entry Fee - Juvenile Court	120	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	3,473	0	0	0	0	0
Data Entry Fee - Chancery Court	998	0	0	0	0	0
Courtroom Security Fee	82	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 44,827	\$ 539	\$ 0	\$ 0	\$ 12,999	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 759,751	\$ 0	0
Other General Service Charges	16,822	0	0	0	0	0
<u>Fees</u>						
Copy Fees	6,705	0	0	280	0	0
Telephone Commissions	2,551	0	0	0	0	0
Data Processing Fee - Register	10,272	0	0	0	0	0
Data Processing Fee - Sheriff	3,475	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,560	0	0	0	0	0
<u>Other Charges for Services</u>						
Other Charges for Services	460	0	0	0	0	0
Total Charges for Current Services	\$ 41,845	\$ 0	\$ 0	\$ 760,031	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 294,954	\$ 0	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit I-6

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>						
Lease/Rentals	\$ 9,150	\$ 0	\$ 3,180	\$ 0	\$ 0	0
Commissary Sales	11,259	0	0	0	0	0
Sale of Gasoline	0	0	0	3,920	0	0
Sale of Recycled Materials	0	0	861	0	0	0
Miscellaneous Refunds	24,941	0	0	6,866	0	0
<u>Nonrecurring Items</u>						
Sale of Equipment	5,916	0	0	0	0	0
Damages Recovered from Individuals	11,420	0	0	0	0	0
Contributions & Gifts	9,700	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	51,696	0	0	0	0	33,259
Total Other Local Revenues	\$ 419,036	\$ 0	\$ 4,041	\$ 10,786	\$ 0	\$ 33,259
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 168,782	\$ 0	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	73,446	0	0	0	0	0
General Sessions Court Clerk	211,540	0	0	0	0	0
Clerk and Master	63,318	0	0	0	0	0
Register	109,834	0	0	0	0	0
Sheriff	57,244	0	0	0	0	0
Trustee	241,055	0	0	0	0	0
Total Fees Received from County Officials	\$ 925,219	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,270	\$ 0	\$ 0	\$ 0	\$ 0	0
Aging Programs	16,572	0	0	0	0	0
State Reappraisal Grant	7,211	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	3,140	0	0	0	0	0

(Continued)

Exhibit I-6

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>Public Works Grants</u>						
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	237,206
Litter Program	26,221	0	0	0	0	0
Other Public Works Grants	0	0	0	0	0	0
<u>Other State Revenues</u>						
Flood Control	4,338	0	0	0	0	0
Income Tax	24,091	0	0	0	0	0
Beer Tax	18,753	0	0	0	0	0
Alcoholic Beverage Tax	28,409	0	0	0	0	0
State Revenue Sharing - T.V.A.	331,686	0	0	0	0	0
Contracted Prisoner Boarding	138,890	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,485,997
Petroleum Special Tax	0	0	0	0	0	15,435
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	0	0	0	0	0	0
Other State Revenues	3,928	0	0	0	0	0
Total State of Tennessee	\$ 628,889	\$ 0	\$ 0	\$ 0	\$ 0	1,738,638
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 7,269	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Federal through State	86,293	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Police Service (Lake Area)	15,202	0	0	0	0	0
Other Direct Federal Revenue	0	0	0	0	0	0
Total Federal Government	\$ 108,764	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 64,170	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Citizens Groups</u>						
Donations	1,000	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 65,170	\$ 0	\$ 0	\$ 0	\$ 0	0
Total	\$ 5,838,227	\$ 82,248	\$ 4,041	\$ 770,817	\$ 12,999	2,001,596

(Continued)

Exhibit I-6

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	Community Projects	CDBG Waterline Projects	Other Capital Projects	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 402,453	\$ 348,793	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,300,029
Trustee's Collections - Prior Year	15,707	13,556	0	0	0	0	131,934
Trustee's Collections - Bankruptcy	235	206	0	0	0	0	1,984
Circuit/Clerk & Master Collections - Prior Years	8,746	7,653	0	0	0	0	85,259
Interest and Penalty	2,604	2,269	0	0	0	0	21,845
Payments in-Lieu-of Taxes - T.V.A.	171	148	0	0	0	0	1,402
Payments in-Lieu-of Taxes - Other	0	0	0	0	0	0	12,588
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	415,162	0	0	0	0	994,704
Wheel Tax	0	835,022	0	0	0	0	835,022
Litigation Tax - General	0	0	0	0	0	0	105,369
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	56,890
Business Tax	0	0	0	0	0	0	91,335
Mineral Severance Tax	0	0	0	0	0	0	53,648
<u>Statutory Local Taxes</u>							
Bank Excise Tax	18,153	0	0	0	0	0	104,885
Wholesale Beer Tax	0	0	0	0	0	0	85,499
Interstate Telecommunications Tax	0	800	0	0	0	0	2,968
Total Local Taxes	\$ 448,069	\$ 1,623,609	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,885,361
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,102
<u>Permits</u>							
Beer Permits	0	0	0	0	0	0	1,000
Building Permits	0	0	0	0	0	0	90,100
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,202
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Jail Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 539
Data Entry Fee - Circuit Court	0	0	0	0	0	0	486

(Continued)

Exhibit I-6

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	Community Projects	CDBG Waterline Projects	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>General Sessions Court</u>							
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,557
Game and Fish Fines	0	0	0	0	0	0	503
Drug Control Fines	0	0	0	0	0	0	14,281
Jail Fees	0	0	0	0	0	0	21,558
DUI Treatment Fines	0	0	0	0	0	0	5,556
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	7,380
Courtroom Security Fee	0	0	0	0	0	0	1,832
<u>Juvenile Court</u>							
Data Entry Fee - Juvenile Court	0	0	0	0	0	0	120
<u>Chancery Court</u>							
Officers Costs	0	0	0	0	0	0	3,473
Data Entry Fee - Chancery Court	0	0	0	0	0	0	998
Courtroom Security Fee	0	0	0	0	0	0	82
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	58,365
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	759,751
Other General Service Charges	0	0	0	0	0	0	16,822
<u>Fees</u>							
Copy Fees	0	0	0	0	0	0	6,985
Telephone Commissions	0	0	0	0	0	0	2,551
Data Processing Fee - Register	0	0	0	0	0	0	10,272
Data Processing Fee - Sheriff	0	0	0	0	0	0	3,475
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	1,560
<u>Other Charges for Services</u>							
Other Charges for Services	0	0	0	0	0	0	460
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	801,876
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	294,954

(Continued)

Exhibit I-6

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

	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>				<u>Total</u>
	<u>General Debt Service</u>	<u>Education Debt Service</u>	<u>General Capital Projects</u>	<u>Community Projects</u>	<u>CDBG Waterline Projects</u>	<u>Other Capital Projects</u>	
<u>Other Local Revenues (Cont.)</u>							
<u>Recurring Items (Cont.)</u>							
Lease/Rentals	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,330
Commissary Sales	0	0	0	0	0	0	11,259
Sale of Gasoline	0	0	0	0	0	0	3,920
Sale of Recycled Materials	0	0	0	0	0	0	861
Miscellaneous Refunds	0	0	0	0	0	0	31,807
<u>Nonrecurring Items</u>							
Sale of Equipment	0	0	0	0	0	0	5,916
Damages Recovered from Individuals	0	0	0	0	0	0	11,420
Contributions & Gifts	0	0	0	0	0	15,000	24,700
<u>Other Local Revenues</u>							
Other Local Revenues	0	0	0	0	0	0	84,955
Total Other Local Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,000	\$ 482,122
<u>Fees Received from County Officials</u>							
<u>Fees-In-Lieu of Salary</u>							
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	168,782
Circuit Court Clerk	0	0	0	0	0	0	73,446
General Sessions Court Clerk	0	0	0	0	0	0	211,540
Clerk and Master	0	0	0	0	0	0	63,318
Register	0	0	0	0	0	0	109,834
Sheriff	0	0	0	0	0	0	57,244
Trustee	0	0	0	0	0	0	241,055
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 925,219
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,270
Aging Programs	0	0	0	0	0	0	16,572
State Reappraisal Grant	0	0	0	0	0	0	7,211
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	0	0	0	0	0	0	3,140

(Continued)

Exhibit I-6

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	Community Projects	CDBG Waterline Projects	Other Capital Projects	
<u>State of Tennessee (Cont.)</u>							
<u>Public Works Grants</u>							
State Aid Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	237,206
Litter Program	0	0	0	0	0	0	26,221
Other Public Works Grants	0	0	0	0	221,352	0	221,352
<u>Other State Revenues</u>							
Flood Control	0	0	0	0	0	0	4,338
Income Tax	0	0	0	0	0	0	24,091
Beer Tax	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	0	0	0	0	0	0	28,409
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	331,686
Contracted Prisoner Boarding	0	0	0	0	0	0	138,890
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,485,997
Petroleum Special Tax	0	0	0	0	0	0	15,435
Registrar's Salary Supplement	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	1,495	0	0	1,495
Other State Revenues	0	0	15,000	0	0	0	18,928
Total State of Tennessee	\$ 0	\$ 0	\$ 15,000	\$ 1,495	\$ 221,352	\$ 0	\$ 2,605,374
<u>Federal Government</u>							
<u>Federal Through State</u>							
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,269
Other Federal through State	116,432	0	54,063	0	0	0	256,788
<u>Direct Federal Revenue</u>							
Police Service (Lake Area)	0	0	0	0	0	0	15,202
Other Direct Federal Revenue	0	0	0	0	0	247,500	247,500
Total Federal Government	\$ 116,432	\$ 0	\$ 54,063	\$ 0	\$ 0	\$ 247,500	\$ 526,759
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	64,170
<u>Citizens Groups</u>							
Donations	0	0	0	0	0	0	1,000
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	65,170
Total	\$ 564,501	\$ 1,623,609	\$ 69,063	\$ 1,495	\$ 221,352	\$ 262,500	\$ 11,452,448

Exhibit I-7

Smith County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Other Salaries & Wages	\$	358	
Board and Committee Members Fees		16,599	
Other Per Diem & Fees		5,397	
Social Security		1,259	
Audit Services		12,664	
Dues and Memberships		2,366	
Other Contracted Services		1,878	
Total County Commission			\$ 40,521

Board of Equalization

Board and Committee Members Fees	\$	2,100	
Total Board of Equalization			2,100

County Mayor/Executive

County Official/Administrative Officer	\$	60,139	
Salary Supplements		800	
Secretary(ies)		50,250	
Overtime Pay		685	
Social Security		8,290	
State Retirement		7,164	
Medical Insurance		2,640	
Communication		6,315	
Dues and Memberships		1,200	
Operating Lease Payments		2,649	
Maintenance & Repair Services - Office Equipment		732	
Travel		1,200	
Office Supplies		7,899	
Data Processing Equipment		6,110	
Total County Mayor/Executive			156,073

County Attorney

County Official/Administrative Officer	\$	75,534	
Total County Attorney			75,534

Election Commission

County Official/Administrative Officer	\$	46,862	
Clerical Personnel		22,566	
Custodial Personnel		5,963	
Part-time Personnel		11,328	
Overtime Pay		654	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	3,800	
Election Workers		16,065	
Social Security		6,487	
State Retirement		4,520	
Advertising		3,607	
Communication		1,617	
Postal Charges		2,139	
Printing, Stationery, and Forms		2,331	
Rentals		550	
Travel		725	
Office Supplies		2,442	
Other Charges		47,228	
Total Election Commission			\$ 178,884

Register of Deeds

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		44,018	
Data Processing Personnel		10,041	
Social Security		7,213	
State Retirement		3,194	
Medical Insurance		1,939	
Communication		582	
Dues and Memberships		369	
Operating Lease Payments		4,184	
Office Supplies		2,484	
Premiums on Corporate Surety Bonds		275	
Other Charges		70	
Total Register of Deeds			126,438

Planning

Other Per Diem & Fees	\$	2,250	
Dues and Memberships		8,500	
Total Planning			10,750

Codes Compliance

County Official/Administrative Officer	\$	39,975	
Deputy(ies)		13,260	
Social Security		4,073	
State Retirement		2,578	
Advertising		363	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

Codes Compliance (Cont.)

Communication	\$	1,330	
Gasoline		506	
Office Supplies		1,503	
Road Signs		3,987	
Other Charges		16,354	
Office Equipment		2,854	
Total Codes Compliance			\$ 86,783

County Buildings

Deputy(ies)	\$	52,453	
Social Security		4,131	
State Retirement		2,781	
Medical Insurance		3,960	
Communication		1,652	
Contracts with Private Agencies		4,873	
Maintenance & Repair Services - Buildings		186,892	
Maintenance & Repair Services - Equipment		1,899	
Maintenance & Repair Services - Vehicles		50	
Rentals		2,319	
Custodial Supplies		2,746	
Gasoline		5,582	
Utilities		120,845	
Other Supplies and Materials		3,578	
Building Improvements		4,669	
Total County Buildings			398,430

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		44,018	
Social Security		7,351	
State Retirement		6,198	
Advertising		114	
Communication		1,843	
Contracts with Government Agencies		7,278	
Dues and Memberships		1,080	
Postal Charges		1,161	
Travel		2,320	
Other Contracted Services		17,450	
Office Supplies		48	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Premiums on Corporate Surety Bonds	\$ 50	
Total Property Assessor's Office		\$ 140,980

Reappraisal Program

Deputy(ies)	\$ 13,780	
Social Security	1,054	
Contracts with Government Agencies	1,952	
Total Reappraisal Program		16,786

County Trustee's Office

County Official/Administrative Officer	\$ 52,069	
Deputy(ies)	43,833	
Social Security	6,849	
State Retirement	5,531	
Communication	876	
Dues and Memberships	419	
Legal Notices, Recording, and Court Costs	86	
Postal Charges	3,592	
Office Supplies	2,286	
Other Charges	100	
Data Processing Equipment	5,173	
Office Equipment	302	
Total County Trustee's Office		121,116

County Clerk's Office

County Official/Administrative Officer	\$ 52,069	
Deputy(ies)	86,922	
Social Security	9,908	
State Retirement	8,965	
Medical Insurance	2,640	
Advertising	64	
Communication	594	
Dues and Memberships	469	
Postal Charges	2,396	
Printing, Stationery, and Forms	1,811	
Office Supplies	3,045	
Premiums on Corporate Surety Bonds	1,350	
Office Equipment	10,615	
Total County Clerk's Office		180,848

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		108,044	
Board and Committee Members Fees		1,600	
Jury and Witness Fees		6,939	
Social Security		11,688	
State Retirement		9,417	
Medical Insurance		6,820	
Communication		3,058	
Dues and Memberships		369	
Postal Charges		2,031	
Office Supplies		12,600	
Premiums on Corporate Surety Bonds		775	
Other Charges		40	
Data Processing Equipment		9,077	
Total Circuit Court			\$ 224,527

General Sessions Judge

Judge(s)	\$	72,900	
Social Security		5,577	
State Retirement		2,365	
Communication		370	
Travel		289	
Office Supplies		141	
Other Charges		2,594	
Total General Sessions Judge			84,236

Chancery Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		22,566	
Social Security		5,464	
State Retirement		4,814	
Medical Insurance		2,640	
Communication		1,825	
Dues and Memberships		369	
Office Supplies		3,038	
Premiums on Corporate Surety Bonds		175	
Total Chancery Court			92,960

Juvenile Court

Assistant(s)	\$	700	
Total Juvenile Court			700

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

County Official/Administrative Officer	\$	15,000	
Social Security		1,143	
Communication		578	
Travel		70	
Office Supplies		79	
Total Judicial Commissioners			\$ 16,870

Other Administration of Justice

Other Charges	\$	1,400	
Total Other Administration of Justice			1,400

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	50,415	
Deputy(ies)		236,499	
Detective(s)		64,421	
Captain(s)		33,745	
Sergeant(s)		138,061	
Paraprofessionals		30,045	
Salary Supplements		2,400	
Dispatchers/Radio Operators		115,657	
Guards		25,329	
Clerical Personnel		54,634	
Attendants		64,574	
School Resource Officer		55,738	
Overtime Pay		149,746	
Other Salaries & Wages		10,291	
In-Service Training		6,219	
Social Security		78,895	
State Retirement		59,803	
Medical Insurance		25,300	
Communication		31,443	
Confidential Drug Enforcement Payments		32,337	
Maintenance & Repair Services - Office Equipment		2,740	
Maintenance & Repair Services - Vehicles		60,275	
Medical and Dental Services		4,757	
Travel		149	
Gasoline		76,111	
Office Supplies		18,145	
Uniforms		12,819	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Other Supplies and Materials	\$	535	
Premiums on Corporate Surety Bonds		3,500	
Principal on Capital Leases		116,916	
Interest on Capital Leases		7,385	
Law Enforcement Equipment		9,909	
Motor Vehicles		191,258	
Other Equipment		38,719	
Total Sheriff's Department			\$ 1,808,770

Traffic Control

Traffic Control Equipment	\$	913	
Total Traffic Control			913

Jail

Cafeteria Personnel	\$	42,237	
Overtime Pay		1,395	
Social Security		3,290	
State Retirement		1,767	
Medical and Dental Services		123,547	
Custodial Supplies		8,413	
Food Supplies		54,990	
Other Supplies and Materials		4,694	
Total Jail			240,333

Correctional Incentive Program Improvements

Deputy(ies)	\$	308,481	
Overtime Pay		12,451	
Social Security		23,422	
State Retirement		14,550	
Medical Insurance		15,180	
Total Correctional Incentive Program Improvements			374,084

Juvenile Services

Youth Service Officer(s)	\$	25,366	
In-Service Training		791	
Social Security		1,964	
State Retirement		1,588	
Communication		690	
Travel		27	
Drugs and Medical Supplies		294	
Office Supplies		547	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Other Charges	\$ 332	
Total Juvenile Services		\$ 31,599

Fire Prevention and Control

Deputy(ies)	\$ 10,500	
Other Salaries & Wages	66,300	
Social Security	803	
Advertising	90	
Maintenance & Repair Services - Equipment	5,315	
Maintenance & Repair Services - Vehicles	5,704	
Rentals	1,486	
Gasoline	2,797	
Office Supplies	510	
Utilities	11,945	
Other Charges	5,047	
Motor Vehicles	43,000	
Other Equipment	10,431	
Total Fire Prevention and Control		163,928

Civil Defense

Communication	\$ 830	
Contributions	20,000	
Maintenance & Repair Services - Vehicles	17	
Gasoline	219	
Other Equipment	5,668	
Total Civil Defense		26,734

Other Emergency Management

Supervisor/Director	\$ 15,000	
Social Security	1,148	
Communication	2,052	
Maintenance & Repair Services - Vehicles	67	
Gasoline	1,055	
Office Supplies	90	
Other Supplies and Materials	13,965	
Office Equipment	342	
Other Equipment	5,528	
Total Other Emergency Management		39,247

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Inspection and Regulation

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

County Coroner/Medical Examiner

Other Contracted Services	\$	21,620	
Total County Coroner/Medical Examiner			21,620

Other Public Safety

Deputy(ies)	\$	9,120	
Dispatchers/Radio Operators		130,387	
Longevity Pay		2,050	
Overtime Pay		14,882	
Social Security		11,589	
State Retirement		9,949	
Medical Insurance		2,640	
Total Other Public Safety			180,617

Public Health and Welfare

Local Health Center

Communication	\$	1,184	
Dues and Memberships		100	
Maintenance & Repair Services - Buildings		5,212	
Custodial Supplies		347	
Drugs and Medical Supplies		84	
Office Supplies		2,132	
Utilities		10,234	
Total Local Health Center			19,293

Crippled Children Services

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

Other Local Health Services

Contributions	\$	7,657	
Total Other Local Health Services			7,657

Appropriation to State

Contracts with Government Agencies	\$	4,010	
Total Appropriation to State			4,010

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services

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

Waste Pickup

Supervisor/Director	\$ 15,118	
Social Security	1,157	
Maintenance & Repair Services - Vehicles	2,748	
Gasoline	2,331	
Instructional Supplies and Materials	2,918	
Other Charges	981	
Total Waste Pickup		25,253

Other Public Health and Welfare

Other Salaries & Wages	\$ 2,765	
Social Security	212	
Travel	212	
Total Other Public Health and Welfare		3,189

Social, Cultural, and Recreational Services

Adult Activities

Other Salaries & Wages	\$ 3,449	
Social Security	264	
Total Adult Activities		3,713

Senior Citizens Assistance

Supervisor/Director	\$ 21,452	
Social Security	1,419	
State Retirement	1,384	
Medical Insurance	2,640	
Travel	1,197	
Office Supplies	432	
Utilities	11,600	
Other Supplies and Materials	443	
Total Senior Citizens Assistance		40,567

Libraries

Contributions	\$ 64,065	
Total Libraries		64,065

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards

Communication	\$	665	
Other Supplies and Materials		2,472	
Other Charges		13,063	
Building Improvements		19,347	
Other Equipment		10,995	
Total Parks and Fair Boards			\$ 46,542

Other Social, Cultural, and Recreational

Sand	\$	1,703	
Other Supplies and Materials		3,387	
Site Development		9,105	
Total Other Social, Cultural, and Recreational			14,195

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	28,013	
Secretary(ies)		6,677	
Social Security		2,259	
State Retirement		4,285	
Communication		2,895	
Rentals		7,140	
Other Charges		3,500	
Other Equipment		2,500	
Total Agriculture Extension Service			57,269

Soil Conservation

Other Contracted Services	\$	11,000	
Total Soil Conservation			11,000

Other Operations

Tourism

Contributions	\$	300	
Total Tourism			300

Industrial Development

Office Supplies	\$	891	
Other Charges		2,659	
Total Industrial Development			3,550

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Contributions	\$ 32,867	
Total Other Economic and Community Development		\$ 32,867

Veterans' Services

Supervisor/Director	\$ 7,695	
Social Security	589	
Communication	183	
Travel	460	
Office Supplies	310	
Other Charges	20	
Total Veterans' Services		9,257

Other Charges

Building and Contents Insurance	\$ 20,000	
Liability Insurance	25,000	
Vehicle and Equipment Insurance	28,265	
Total Other Charges		73,265

Employee Benefits

Longevity Pay	\$ 16,800	
Social Security	1,285	
State Retirement	1,084	
Life Insurance	3,362	
Unemployment Compensation	14,372	
Workers' Compensation Insurance	92,213	
Total Employee Benefits		129,116

Miscellaneous

Contributions	\$ 33,700	
Dues and Memberships	2,095	
Operating Lease Payments	2,052	
Other Supplies and Materials	3,929	
Premiums on Corporate Surety Bonds	4,410	
Trustee's Commission	69,907	
Other Charges	38,870	
Bridge Construction	2,404	
Building Construction	712	
Motor Vehicles	14,565	
Total Miscellaneous		172,644

Total General Fund		\$ 5,570,389
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(Continued)

Exhibit I-7

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

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services - Buildings	\$	22,200	
Land		278,926	
Site Development		7,633	
Total County Buildings			\$ 308,759

Other Operations

Miscellaneous

Trustee's Commission	\$	876	
Total Miscellaneous			876

Total Courthouse & Jail Maintenance Fund \$ 309,635

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Overtime Pay	\$	2,218	
Other Salaries & Wages		52,011	
Social Security		3,941	
State Retirement		3,179	
Medical Insurance		1,920	
Maintenance & Repair Services - Equipment		10,236	
Gasoline		36,327	
Other Supplies and Materials		451	
Motor Vehicles		208,252	
Total Waste Pickup			\$ 318,535

Convenience Centers

Other Salaries & Wages	\$	99,648	
Social Security		7,623	
Communication		3,721	
Maintenance & Repair Services - Buildings		777	
Maintenance & Repair Services - Equipment		473	
Rentals		6,854	
Utilities		5,499	
Other Supplies and Materials		3,220	
Other Charges		150	
Site Development		18,938	
Other Equipment		21,384	
Total Convenience Centers			168,287

(Continued)

Exhibit I-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Disposal

Trustee's Commission	\$ 32		
Total Other Waste Disposal		\$	32

Other Operations

Employee Benefits

Longevity Pay	\$ 400		
Social Security	31		
State Retirement	26		
Total Employee Benefits			457

Total Solid Waste/Sanitation Fund \$ 487,311

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Medical Personnel	\$ 382,170
Longevity Pay	4,250
Overtime Pay	108,404
In-Service Training	7,382
Social Security	36,025
State Retirement	25,031
Medical Insurance	19,497
Communication	12,141
Laundry Service	2,041
Licenses	917
Maintenance & Repair Services - Equipment	4,372
Maintenance & Repair Services - Vehicles	12,553
Printing, Stationery, and Forms	472
Custodial Supplies	2,480
Drugs and Medical Supplies	28,258
Gasoline	28,604
Office Supplies	5,660
Uniforms	8,761
Utilities	17,163
Other Supplies and Materials	5,308
Building and Contents Insurance	1,000
Liability Insurance	6,000
Premiums on Corporate Surety Bonds	200
Refunds	582
Trustee's Commission	7,599

(Continued)

Exhibit I-7

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

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Vehicle and Equipment Insurance	\$	4,000	
Workers' Compensation Insurance		41,990	
Building Improvements		2,935	
Motor Vehicles		54,760	
Total Ambulance/Emergency Medical Services			\$ 830,555

Total Ambulance Service Fund \$ 830,555

Drug Control Fund

Public Safety

Sheriff's Department

Instructional Supplies and Materials	\$	599	
Total Sheriff's Department			\$ 599

Drug Enforcement

Trustee's Commission	\$	19	
Total Drug Enforcement			19

Total Drug Control Fund 618

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,276	
Accountants/Bookkeepers		34,715	
Overtime Pay		1,265	
Other Salaries & Wages		23,855	
Other Per Diem & Fees		650	
Advertising		132	
Communication		5,034	
Data Processing Services		4,595	
Dues and Memberships		2,948	
Freight Expenses		35	
Medical and Dental Services		465	
Postal Charges		468	
Printing, Stationery, and Forms		282	
Drugs and Medical Supplies		211	
Electricity		5,296	
Natural Gas		5,094	
Office Supplies		5,000	

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Water and Sewer	\$	236	
Other Charges		1,901	
Data Processing Equipment		3,183	
Office Equipment		650	
Total Administration			\$ 153,291

Highway and Bridge Maintenance

Foremen	\$	33,280	
Equipment Operators		145,979	
Truck Drivers		87,980	
Laborers		100,739	
Overtime Pay		3,806	
Other Contracted Services		93,955	
Asphalt - Cold Mix		55,673	
Asphalt - Liquid		258,594	
Crushed Stone		121,608	
Other Road Supplies		630	
Pipe		17,362	
Road Signs		1,666	
Salt		1,824	
Wood Products		5,047	
Other Charges		607	
Total Highway and Bridge Maintenance			928,750

Operation and Maintenance of Equipment

Mechanic(s)	\$	48,302	
Overtime Pay		49	
Freight Expenses		1,172	
Maintenance & Repair Services - Equipment		1,087	
Custodial Supplies		4,619	
Diesel Fuel		54,609	
Equipment and Machinery Parts		44,531	
Garage Supplies		2,714	
Gasoline		40,252	
Lubricants		7,037	
Small Tools		4,190	
Tires and Tubes		7,425	
Vehicle Parts		18,944	
Other Supplies and Materials		938	
Other Charges		18	
Total Operation and Maintenance of Equipment			235,887

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Contributions	\$	1,412	
Building and Contents Insurance		238	
Liability Insurance		534	
Trustee's Commission		18,937	
Vehicle and Equipment Insurance		14,607	
Workers' Compensation Insurance		82,272	
Total Other Charges			\$ 118,000

Employee Benefits

Social Security	\$	41,099	
State Retirement		31,965	
Employee and Dependent Insurance		228,172	
Unemployment Compensation		5,359	
Total Employee Benefits			306,595

Capital Outlay

Motor Vehicles	\$	6,300	
State Aid Projects		302,288	
Total Capital Outlay			308,588

Principal on Debt

Highways and Streets

Principal on Notes	\$	133,333	
Principal on Capital Leases		22,610	
Total Highways and Streets			155,943

Interest on Debt

Highways and Streets

Interest on Notes	\$	6,814	
Interest on Capital Leases		1,109	
Total Highways and Streets			7,923

Total Highway/Public Works Fund \$ 2,214,977

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	17,549	
Principal on Notes		172,751	
Principal on Other Loans		50,000	
Total General Government			\$ 240,300

(Continued)

Exhibit I-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$	16,532	
Interest on Notes		28,489	
Interest on Other Loans		<u>24,954</u>	
Total General Government			\$ 69,975

Other Debt Service

General Government

Contributions	\$	25,000	
Trustee's Commission		8,759	
Other Debt Service		<u>11,850</u>	
Total General Government			<u>45,609</u>

Total General Debt Service Fund \$ 355,884

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	<u>895,000</u>	
Total Education			\$ 895,000

Interest on Debt

Education

Interest on Bonds	\$	<u>931,438</u>	
Total Education			931,438

Other Debt Service

Education

Bank Charges	\$	1,045	
Trustee's Commission		<u>19,906</u>	
Total Education			<u>20,951</u>

Total Education Debt Service Fund 1,847,389

General Capital Projects Fund

Other Operations

Miscellaneous

Other Charges	\$	<u>181,888</u>	
Total Miscellaneous			<u>\$ 181,888</u>

Total General Capital Projects Fund 181,888

(Continued)

Exhibit I-7

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

<u>Community Projects Fund</u>		
<u>Other Operations</u>		
<u>Miscellaneous</u>		
Other Charges	\$ 1,495	
Total Miscellaneous	<u>\$ 1,495</u>	\$ 1,495
Total Community Projects Fund		\$ 1,495
 <u>CDBG Waterline Projects Fund</u>		
<u>Other Operations</u>		
<u>Miscellaneous</u>		
Other Charges	\$ 211,242	
Total Miscellaneous	<u>\$ 211,242</u>	\$ 211,242
Total CDBG Waterline Projects Fund		211,242
 <u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Social, Cultural, and Recreation Projects</u>		
Architects	\$ 17,157	
Engineering Services	20,849	
Other Contracted Services	136,960	
Building Construction	<u>1,461,980</u>	
Total Social, Cultural, and Recreation Projects	<u>\$ 1,636,946</u>	
Total Other Capital Projects Fund		<u>1,636,946</u>
Total Governmental Funds - Primary Government		<u>\$ 13,648,329</u>

Exhibit I-8

Smith County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2007

	Primary Government Enterprise Fund Solid Waste Disposal
<hr/>	
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Tipping Fees	\$ 1,056,743
<u>Other Local Revenues</u>	
Sale of Recycled Materials	35,167
Miscellaneous Refunds	2,072
Total Operating Revenue	<u>\$ 1,093,982</u>
<u>Nonoperating Revenues</u>	
Gain on Disposal of Property	\$ 7,085
Grants	18,280
Total Nonoperating Revenue	<u>\$ 25,365</u>
Total Revenues	<u><u>\$ 1,119,347</u></u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 38,500
Salary Supplements	400
Longevity Pay	250
Overtime Pay	2,436
Other Salaries and Wages	186,018
In-Service Training	1,175
Social Security	16,147
State Retirement	10,228
Medical Insurance	12,459
Advertising	7
Communication	2,609
Contracts with Private Agencies	5,685
Engineering Services	133,367
Maintenance and Repair Services - Equipment	55,970
Rentals	1,564
Other Contracted Services	63,368
Gasoline	90,413
Office Supplies	465
Utilities	7,498
Other Supplies and Materials	41,513
Building and Contents Insurance	2,500

(Continued)

Exhibit I-8

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>	
Liability Insurance	\$ 6,000
Refunds	100
Trustee's Commission	11,172
Vehicle and Equipment Insurance	4,000
Workers' Compensation Insurance	35,000
Depreciation	163,379
Other Charges	27,636
Building Construction	1,533
Data Processing Equipment	950
Total Operating Expenses	<u>\$ 922,342</u>
<u>Nonoperating Expenses</u>	
Interest on Capital Lease	\$ 13,755
Total Nonoperating Expenses	<u>\$ 13,755</u>
Total Expenses	<u>\$ 936,097</u>

Exhibit I-9

Smith County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 937,459
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 928,084
Trustee's Commission	9,375
Total Cash Disbursements	<u>\$ 937,459</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<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, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*STEVE REEDER, CPA, CGFM, CFE*  
*Auditor 4*

*MELODIE C. WHEELER, CFE*  
*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, 2007

## ***Scope***

We have audited the basic financial statements of the Smith County School Department as of and for the year ended June 30, 2007.

## ***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:

### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Funds were transferred from the General Purpose School Fund to the School Federal Projects Fund without the approval of the Board of Education or the County Commission.
- ◆ Competitive bids were not solicited for insurance coverage.

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### **OTHER FINDINGS**

- ◆ 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, 2007

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**Official**

Roger Lewis, Director of Schools

**Board of Education**

Larry Taylor Wilkerson, Chairman  
Shane Campbell  
Hal Givens  
Terry Hunt  
Tommy Manning  
Pat Massey  
Rick Shoulders  
Scotty Yeaman

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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**

October 24, 2007

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

To the Director of Schools and 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, 2007, 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, 2007, 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 October 24, 2007, 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.

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 accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 35 through 37 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 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/sb

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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, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 3,400,010
Accounts Receivable	426
Due from Other Governments	379,856
Property Taxes Receivable	2,918,431
Allowance for Uncollectible Property Taxes	(123,701)
Assets Not Depreciated:	
Land	1,226,738
Construction in Progress	66,758
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	31,103,409
Infrastructure	115,831
Other Capital Assets	1,210,863
Total Assets	<u>\$ 40,298,621</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 49,029
Accrued Payroll	6,054
Payroll Deductions Payable	331,539
Deferred Revenue - Current Property Taxes	2,714,827
Noncurrent Liabilities:	
Due Within One Year	8,075
Due in More Than One Year	24,226
Total Liabilities	<u>\$ 3,133,750</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 33,723,599
Restricted for:	
Capital Projects	169,941
Other Purposes	2,419,734
Unrestricted	<u>851,597</u>
Total Net Assets	<u>\$ 37,164,871</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, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 12,888,352	\$ 35,382	\$ 1,408,115	\$ (11,444,855)
Support Services	5,975,146	0	0	(5,975,146)
Operation of Non-Instructional Services	1,830,535	680,182	880,628	(269,725)
<b>Total Governmental Activities</b>	<b>\$ 20,694,033</b>	<b>\$ 715,564</b>	<b>\$ 2,288,743</b>	<b>\$ (17,689,726)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,743,222
Local Option Sales Tax				1,096,265
Other Local Taxes				3,785
Grants and Contributions Not Restricted to Specific Programs				13,791,606
Interest Income				8,750
Miscellaneous				22,009
<b>Total General Revenues</b>				<b>\$ 17,665,637</b>
Insurance Recovery				\$ 6,155
Change in Net Assets				\$ (17,934)
Net Assets, July 1, 2006				37,182,805
Net Assets, June 30, 2007				<u>\$ 37,164,871</u>

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, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	Other Govern- mental Funds	
<b><u>ASSETS</u></b>			
Equity in Pooled Cash and Investments	\$ 2,700,403	\$ 699,607	\$ 3,400,010
Accounts Receivable	0	426	426
Due from Other Governments	341,922	37,934	379,856
Due from Other Funds	10,247	11,916	22,163
Property Taxes Receivable	2,918,431	0	2,918,431
Allowance for Uncollectible Property Taxes	(123,701)	0	(123,701)
<b>Total Assets</b>	<b>\$ 5,847,302</b>	<b>\$ 749,883</b>	<b>\$ 6,597,185</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 48,892	\$ 137	\$ 49,029
Accrued Payroll	1,138	4,916	6,054
Payroll Deductions Payable	312,031	19,508	331,539
Due to Other Funds	11,916	10,247	22,163
Deferred Revenue - Current Property Taxes	2,714,827	0	2,714,827
Deferred Revenue - Delinquent Property Taxes	64,903	0	64,903
Other Deferred Revenues	103,045	0	103,045
<b>Total Liabilities</b>	<b>\$ 3,256,752</b>	<b>\$ 34,808</b>	<b>\$ 3,291,560</b>
<b><u>Fund Balances</u></b>			
Reserved for Encumbrances	\$ 132,864	\$ 1,400,562	\$ 1,533,426
Reserved for Vocational Projects	198,076	0	198,076
Reserved for Career Ladder - Extended Contract	77,295	0	77,295
Reserved for Basic Education Program	1,606,138	0	1,606,138
Reserved for Title I Grants to Local Education Agencies	0	97,708	97,708
Reserved for Innovative Education Program Strategies	0	750	750
Reserved for Special Education - Grants to States	0	26,492	26,492
Other Federal Reserves	0	39,741	39,741
Unreserved, Reported In:			
General Fund	576,177	0	576,177
Special Revenue Funds	0	373,534	373,534
Capital Projects Funds (Deficit)	0	(1,223,712)	(1,223,712)
<b>Total Fund Balances</b>	<b>\$ 2,590,550</b>	<b>\$ 715,075</b>	<b>\$ 3,305,625</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,847,302</b>	<b>\$ 749,883</b>	<b>\$ 6,597,185</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, 2007

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)		\$ 3,305,625
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,226,738	
Add: construction in progress	66,758	
Add: infrastructure net of accumulated depreciation	115,831	
Add: buildings and improvements net of accumulated depreciation	31,103,409	
Add: other capital assets net of accumulated depreciation	<u>1,210,863</u>	33,723,599
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: compensated absences payable		(32,301)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>167,948</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 37,164,871</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, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 3,970,059	\$ 0	\$ 3,970,059
Licenses and Permits	1,472	0	1,472
Charges for Current Services	36,822	677,377	714,199
Other Local Revenues	58,871	56,147	115,018
State of Tennessee	13,456,991	53,543	13,510,534
Federal Government	9,216	2,326,695	2,335,911
Total Revenues	<u>\$ 17,533,431</u>	<u>\$ 3,113,762</u>	<u>\$ 20,647,193</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 10,747,755	\$ 1,240,245	\$ 11,988,000
Support Services	5,669,254	375,418	6,044,672
Operation of Non-Instructional Services	309,459	1,437,076	1,746,535
Capital Outlay	101,641	0	101,641
Capital Projects	0	221,134	221,134
Total Expenditures	<u>\$ 16,828,109</u>	<u>\$ 3,273,873</u>	<u>\$ 20,101,982</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 705,322</u>	<u>\$ (160,111)</u>	<u>\$ 545,211</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 6,155	\$ 0	\$ 6,155
Transfers In	34,929	307,916	342,845
Transfers Out	(307,916)	(34,929)	(342,845)
Total Other Financing Sources (Uses)	<u>\$ (266,832)</u>	<u>\$ 272,987</u>	<u>\$ 6,155</u>
Net Change in Fund Balances	\$ 438,490	\$ 112,876	\$ 551,366
Fund Balance, July 1, 2006	<u>2,152,060</u>	<u>602,199</u>	<u>2,754,259</u>
Fund Balance, June 30, 2007	<u><u>\$ 2,590,550</u></u>	<u><u>\$ 715,075</u></u>	<u><u>\$ 3,305,625</u></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, 2007

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)		\$ 551,366
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 417,844	
Less: current year depreciation expense	<u>(948,117)</u>	(530,273)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 167,948	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(218,413)</u>	(50,465)
<p>(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in compensated absences		<u>11,438</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (17,934)</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, 2007**

**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 2.25 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 (\$2,419,734) consists of restrictions for state and federal assistance programs, primarily the Basic Education Program (\$1,606,138).

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. Fund Deficit**

The Education Capital Projects Fund had an unreserved fund balance deficit of \$1,223,712 at June 30, 2007. This deficit resulted from unperformed portions of construction contracts of \$1,393,653 being reserved as encumbrances. These future expenditures are expected to be funded with transfers of funds from the General Purpose School Fund.

C. **Funds were Transferred from the General Purpose School Fund to the School Federal Projects Fund without Board of Education or County Commission Approval**

The General Purpose School Fund transferred \$11,916 to the School Federal Projects Fund without the approval of the Smith County Board of Education or the Smith County Commission in violation of state statute. At June 30, 2007, the financial statements of the General Purpose School Fund reflected this amount as a liability due to the School Federal Projects Fund. This liability was established by the School Department to transfer funds to liquidate overexpenditures in the budget of the Adult Education Program in the School Federal Projects Fund. On August 10, 2007, this transfer was completed with a check issued from the General Purpose School Fund to the School Federal Projects Fund.

D. **Expenditures and Encumbrances Exceeded Appropriations**

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Instruction – Adult Education Program (\$3,285) and the Support Services – Adult Education Program (\$6,330) major appropriation categories (the legal level of control) of the School Federal Projects Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded with excess funds resulting from 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, 2007, and the School Department had no interest in the nonpooled investments held by the Clerk and Master’s Office.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2007, was as follows:

**Governmental Activities:**

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	\$ 1,076,738	\$ 150,000	\$ 1,226,738
Construction in Progress	0	66,758	66,758
Total Capital Assets			
Not Depreciated	\$ 1,076,738	\$ 216,758	\$ 1,293,496

**Governmental Activities: (Cont.)**

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets			
Depreciated:			
Buildings and			
Improvements	\$ 37,221,667	\$ 0	\$ 37,221,667
Infrastructure	129,000	0	129,000
Other Capital Assets	1,891,448	201,086	2,092,534
Total Capital Assets			
Depreciated	<u>\$ 39,242,115</u>	<u>\$ 201,086</u>	<u>\$ 39,443,201</u>
Less Accumulated			
Depreciated For:			
Buildings and			
Improvements	\$ 5,301,392	\$ 816,866	\$ 6,118,258
Infrastructure	9,944	3,225	13,169
Other Capital Assets	753,645	128,026	881,671
Total Accumulated			
Depreciation	<u>\$ 6,064,981</u>	<u>\$ 948,117</u>	<u>\$ 7,013,098</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 33,177,134</u>	<u>\$ (747,031)</u>	<u>\$ 32,430,103</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 34,253,872</u>	<u>\$ (530,273)</u>	<u>\$ 33,723,599</u>

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

Governmental Activities:

Instruction	\$ 805,530
Support Services	<u>142,587</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 948,117</u>

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	Nonmajor governmental	\$ 10,247
Nonmajor governmental	General Purpose School	11,916

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, 2007, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>General Purpose School Fund</u>	<u>Nonmajor Governmental Funds</u>
General Purpose School Fund	\$ 0	\$ 307,916
Nonmajor governmental funds	34,929	0
Total	<u>\$ 34,929</u>	<u>\$ 307,916</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, 2007, was as follows:

	<u>Compensated Absences</u>
Balance, July 1, 2006	43,739
Additions	30,584
Deductions	<u>(42,022)</u>
Balance, June 30, 2007	<u>\$ 32,301</u>
Balance Due Within One Year	<u>\$ 8,075</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 (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays annual premiums to the TSB-RMT for its workers' compensation insurance coverage. The creation of the TSB-RMT 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 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 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. 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.

**C. Retirement Commitments**

**Employees**

**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 <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 <http://www.treasury.state.tn.us/tcrs/PS/>.

### **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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$620,747, \$533,474, and \$511,897, respectively, equal to the required contributions for each year.

### **D. 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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,970,059	\$ 0	\$ 0	\$ 3,970,059	\$ 3,908,330	\$ 3,908,330	\$ 61,729
Licenses and Permits	1,472	0	0	1,472	1,500	1,500	(28)
Charges for Current Services	36,822	0	0	36,822	29,500	29,500	7,322
Other Local Revenues	58,871	0	0	58,871	64,700	64,700	(5,829)
State of Tennessee	13,456,991	0	0	13,456,991	13,221,930	13,274,090	182,901
Federal Government	9,216	0	0	9,216	0	0	9,216
<b>Total Revenues</b>	<b>\$ 17,533,431</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 17,533,431</b>	<b>\$ 17,225,960</b>	<b>\$ 17,278,120</b>	<b>\$ 255,311</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 9,024,910	\$ (37,909)	\$ 39,598	\$ 9,026,599	\$ 9,221,900	\$ 9,254,060	\$ 227,461
Alternative Instruction Program	51,183	0	0	51,183	51,370	51,370	187
Special Education Program	1,031,642	0	0	1,031,642	1,025,230	1,063,930	32,288
Vocational Education Program	640,020	0	0	640,020	646,500	648,000	7,980
<u>Support Services</u>							
Attendance	91,050	0	0	91,050	116,580	116,580	25,530
Health Services	97,692	0	0	97,692	104,140	104,140	6,448
Other Student Support	428,715	0	1,769	430,484	425,100	439,100	8,616
Regular Instruction Program	480,246	(4,020)	450	476,676	515,950	490,950	14,274
Special Education Program	152,410	(120)	0	152,290	163,910	163,910	11,620
Vocational Education Program	69,175	(60)	0	69,115	70,280	72,280	3,165
Adult Programs	1,139	0	0	1,139	1,200	1,200	61
Board of Education	283,407	0	0	283,407	344,800	314,800	31,393
Director of Schools	119,953	(60)	0	119,893	123,480	123,480	3,587
Office of the Principal	1,065,902	0	0	1,065,902	1,102,600	1,093,850	27,948
Fiscal Services	171,040	0	0	171,040	181,220	181,220	10,180

(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 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 1,326,341	\$ 0	\$ 600	\$ 1,326,941	\$ 1,415,000	\$ 1,415,000	\$ 88,059
Maintenance of Plant	352,406	0	0	352,406	424,500	414,500	62,094
Transportation	1,029,778	0	0	1,029,778	1,082,340	1,127,390	97,612
<u>Operation of Non-Instructional Services</u>							
Food Service	1,190	0	0	1,190	1,190	1,190	0
Community Services	46,889	0	0	46,889	48,620	48,620	1,731
Early Childhood Education	261,380	(1,614)	90,447	350,213	361,170	361,170	10,957
<u>Capital Outlay</u>							
Regular Capital Outlay	101,641	0	0	101,641	165,000	165,000	63,359
Total Expenditures	\$ 16,828,109	\$ (43,783)	\$ 132,864	\$ 16,917,190	\$ 17,592,080	\$ 17,651,740	\$ 734,550
<u>Excess (Deficiency) of Revenues Over Expenditures</u>							
	\$ 705,322	\$ 43,783	\$ (132,864)	\$ 616,241	\$ (366,120)	\$ (373,620)	\$ 989,861
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 6,155	\$ 0	\$ 0	\$ 6,155	\$ 0	\$ 0	\$ 6,155
Transfers In	34,929	0	0	34,929	53,000	53,000	(18,071)
Transfers Out	(307,916)	0	0	(307,916)	0	(296,000)	(11,916)
Total Other Financing Sources (Uses)	\$ (266,832)	\$ 0	\$ 0	\$ (266,832)	\$ 53,000	\$ (243,000)	\$ (23,832)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2006	\$ 2,152,060	(43,783)	0	2,108,277	955,338	955,338	1,152,939
Fund Balance, June 30, 2007	\$ 2,590,550	\$ 0	\$ (132,864)	\$ 2,457,686	\$ 642,218	\$ 338,718	\$ 2,118,968

**SMITH COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF SMITH COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2007**

**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, 2007

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 156,558	\$ 373,108	\$ 529,666	\$ 169,941	\$ 699,607
Accounts Receivable	0	426	426	0	426
Due from Other Governments	37,934	0	37,934	0	37,934
Due from Other Funds	11,916	0	11,916	0	11,916
Total Assets	<u>\$ 206,408</u>	<u>\$ 373,534</u>	<u>\$ 579,942</u>	<u>\$ 169,941</u>	<u>\$ 749,883</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 137	\$ 0	\$ 137	\$ 0	\$ 137
Accrued Payroll	4,916	0	4,916	0	4,916
Payroll Deductions Payable	19,508	0	19,508	0	19,508
Due to Other Funds	10,247	0	10,247	0	10,247
Total Liabilities	<u>\$ 34,808</u>	<u>\$ 0</u>	<u>\$ 34,808</u>	<u>\$ 0</u>	<u>\$ 34,808</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 6,909	\$ 0	\$ 6,909	\$ 1,393,653	\$ 1,400,562
Reserved for Title I Grants to Local Education Agencies	97,708	0	97,708	0	97,708
Reserved for Innovative Education Program Strategies	750	0	750	0	750
Reserved for Special Education - Grants to States	26,492	0	26,492	0	26,492
Other Federal Reserves	39,741	0	39,741	0	39,741
Unreserved (Deficit)	0	373,534	373,534	(1,223,712)	(850,178)
Total Fund Balances	<u>\$ 171,600</u>	<u>\$ 373,534</u>	<u>\$ 545,134</u>	<u>\$ 169,941</u>	<u>\$ 715,075</u>
Total Liabilities and Fund Balances	<u>\$ 206,408</u>	<u>\$ 373,534</u>	<u>\$ 579,942</u>	<u>\$ 169,941</u>	<u>\$ 749,883</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, 2007

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 677,377	\$ 677,377	\$ 0	\$ 677,377
Other Local Revenues	33	6,114	6,147	50,000	56,147
State of Tennessee	33,222	20,321	53,543	0	53,543
Federal Government	1,539,604	787,091	2,326,695	0	2,326,695
<b>Total Revenues</b>	<b>\$ 1,572,859</b>	<b>\$ 1,490,903</b>	<b>\$ 3,063,762</b>	<b>\$ 50,000</b>	<b>\$ 3,113,762</b>
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,240,245	\$ 0	\$ 1,240,245	\$ 0	\$ 1,240,245
Support Services	375,418	0	375,418	0	375,418
Operation of Non-Instructional Services	0	1,437,076	1,437,076	0	1,437,076
Capital Projects	0	0	0	221,134	221,134
<b>Total Expenditures</b>	<b>\$ 1,615,663</b>	<b>\$ 1,437,076</b>	<b>\$ 3,052,739</b>	<b>\$ 221,134</b>	<b>\$ 3,273,873</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,804)	\$ 53,827	\$ 11,023	\$ (171,134)	\$ (160,111)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 11,916	\$ 0	\$ 11,916	\$ 296,000	\$ 307,916
Transfers Out	(34,929)	0	(34,929)	0	(34,929)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (23,013)</b>	<b>\$ 0</b>	<b>\$ (23,013)</b>	<b>\$ 296,000</b>	<b>\$ 272,987</b>
Net Change in Fund Balances	\$ (65,817)	\$ 53,827	\$ (11,990)	\$ 124,866	\$ 112,876
Fund Balance, July 1, 2006	237,417	319,707	557,124	45,075	602,199
<b>Fund Balance, June 30, 2007</b>	<b>\$ 171,600</b>	<b>\$ 373,534</b>	<b>\$ 545,134</b>	<b>\$ 169,941</b>	<b>\$ 715,075</b>

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 33	\$ 0	\$ 0	\$ 33	\$ 0	\$ 0	\$ 33
State of Tennessee	33,222	0	0	33,222	23,222	33,222	0
Federal Government	1,539,604	0	0	1,539,604	2,183,849	2,183,849	(644,245)
<b>Total Revenues</b>	<b>\$ 1,572,859</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,572,859</b>	<b>\$ 2,207,071</b>	<b>\$ 2,217,071</b>	<b>\$ (644,212)</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 535,525	\$ (1,800)	\$ 0	\$ 533,725	\$ 728,290	\$ 719,404	\$ 185,679
Special Education Program	580,471	0	1,897	582,368	794,294	791,357	208,989
Vocational Education Program	46,631	(959)	872	46,544	47,385	47,385	841
Adult Education Program	77,618	(1,005)	40	76,653	61,170	73,368	(3,285)
<u>Support Services</u>							
Other Student Support	12,202	(425)	0	11,777	16,395	27,152	15,375
Regular Instruction Program	113,577	(4,847)	4,100	112,830	163,054	161,831	49,001
Special Education Program	100,811	0	0	100,811	255,089	231,379	130,568
Vocational Education Program	2,000	0	0	2,000	2,000	2,000	0
Adult Programs	71,143	0	0	71,143	62,575	64,813	(6,330)
Transportation	75,685	0	0	75,685	88,183	114,183	38,498
<b>Total Expenditures</b>	<b>\$ 1,615,663</b>	<b>\$ (9,036)</b>	<b>\$ 6,909</b>	<b>\$ 1,613,536</b>	<b>\$ 2,218,435</b>	<b>\$ 2,232,872</b>	<b>\$ 619,336</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (42,804)	\$ 9,036	\$ (6,909)	\$ (40,677)	\$ (11,364)	\$ (15,801)	\$ (24,876)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 11,916	\$ 0	\$ 0	\$ 11,916	\$ 73,389	\$ 73,389	\$ (61,473)
Transfers Out	(34,929)	0	0	(34,929)	(103,942)	(103,942)	69,013
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (23,013)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (23,013)</b>	<b>\$ (30,553)</b>	<b>\$ (30,553)</b>	<b>\$ 7,540</b>
Net Change in Fund Balance	\$ (65,817)	\$ 9,036	\$ (6,909)	\$ (63,690)	\$ (41,917)	\$ (46,354)	\$ (17,336)
Fund Balance, July 1, 2006	237,417	(9,036)	0	228,381	319,188	319,188	(90,807)
<b>Fund Balance, June 30, 2007</b>	<b>\$ 171,600</b>	<b>\$ 0</b>	<b>\$ (6,909)</b>	<b>\$ 164,691</b>	<b>\$ 277,271</b>	<b>\$ 272,834</b>	<b>\$ (108,143)</b>

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 677,377	\$ 759,000	\$ 759,000	\$ (81,623)
Other Local Revenues	6,114	10,500	10,500	(4,386)
State of Tennessee	20,321	25,000	25,000	(4,679)
Federal Government	787,091	735,000	735,000	52,091
Total Revenues	<u>\$ 1,490,903</u>	<u>\$ 1,529,500</u>	<u>\$ 1,529,500</u>	<u>\$ (38,597)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,437,076	\$ 1,529,500	\$ 1,529,500	\$ 92,424
Total Expenditures	<u>\$ 1,437,076</u>	<u>\$ 1,529,500</u>	<u>\$ 1,529,500</u>	<u>\$ 92,424</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 53,827</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 53,827</u>
Net Change in Fund Balance	\$ 53,827	\$ 0	\$ 0	\$ 53,827
Fund Balance, July 1, 2006	<u>319,707</u>	<u>319,188</u>	<u>319,188</u>	<u>519</u>
Fund Balance, June 30, 2007	<u><u>\$ 373,534</u></u>	<u><u>\$ 319,188</u></u>	<u><u>\$ 319,188</u></u>	<u><u>\$ 54,346</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit G-1

Smith County, Tennessee  
Schedule of Transfers  
Smith County School Department  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 34,929
General Purpose School	School Federal Projects	Operations - Adult Education	11,916
General Purpose School	Education Capital Projects	School renovation projects	<u>296,000</u>
Total Transfers			<u>\$ 342,845</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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Smith County Board of Education	\$ 80,367 (1)	\$ 100,000	The Cincinnati Insurance Company
Employee Blanket Bond Coverage: School Department Employees			250,000	"

(1) Includes chief executive officer training 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, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,575,700	\$ 0	\$ 0	\$ 0	\$ 2,575,700
Trustee's Collections - Prior Year	114,200	0	0	0	114,200
Trustee's Collections - Bankruptcy	1,470	0	0	0	1,470
Circuit/Clerk & Master Collections - Prior Years	67,722	0	0	0	67,722
Interest and Penalty	17,617	0	0	0	17,617
Payments in-Lieu-of Taxes - T.V.A.	1,095	0	0	0	1,095
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,093,243	0	0	0	1,093,243
Mineral Severance Tax	25	0	0	0	25
<u>Statutory Local Taxes</u>					
Bank Excise Tax	96,817	0	0	0	96,817
Interstate Telecommunications Tax	2,170	0	0	0	2,170
Total Local Taxes	\$ 3,970,059	\$ 0	\$ 0	\$ 0	\$ 3,970,059
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,472	\$ 0	\$ 0	\$ 0	\$ 1,472
Total Licenses and Permits	\$ 1,472	\$ 0	\$ 0	\$ 0	\$ 1,472
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Summer School	\$ 1,830	\$ 0	\$ 0	\$ 0	\$ 1,830
Lunch Payments - Children	0	0	438,648	0	438,648
Lunch Payments - Adults	0	0	59,700	0	59,700
Income from Breakfast	0	0	60,782	0	60,782
Special Milk Sales	0	0	18,104	0	18,104
A la carte Sales	0	0	97,312	0	97,312
Receipts from Individual Schools	32,187	0	2,831	0	35,018
Community Service Fees - Adults	2,805	0	0	0	2,805
Total Charges for Current Services	\$ 36,822	\$ 0	\$ 677,377	\$ 0	\$ 714,199
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 3,920	\$ 0	\$ 4,830	\$ 0	\$ 8,750
Lease/Rentals	1,300	0	0	0	1,300
Sale of Materials and Supplies	65	0	0	0	65
Miscellaneous Refunds	40,542	33	1,284	0	41,859
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	150	0	0	0	150
Contributions & Gifts	12,776	0	0	50,000	62,776
<u>Other Local Revenues</u>					
Other Local Revenues	118	0	0	0	118
Total Other Local Revenues	\$ 58,871	\$ 33	\$ 6,114	\$ 50,000	\$ 115,018
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 12,630,988	\$ 0	\$ 0	\$ 0	\$ 12,630,988
Early Childhood Education	351,202	0	0	0	351,202

(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	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
School Food Service	\$ 0	\$ 0	\$ 20,321	\$ 0	\$ 20,321
Driver Education	7,786	0	0	0	7,786
Other State Education Funds	144,766	33,222	0	0	177,988
Career Ladder Program	159,271	0	0	0	159,271
Career Ladder - Extended Contract	58,662	0	0	0	58,662
<u>Other State Revenues</u>					
Other State Revenues	104,316	0	0	0	104,316
Total State of Tennessee	\$ 13,456,991	\$ 33,222	\$ 20,321	\$ 0	\$ 13,510,534
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 579,652	\$ 0	\$ 579,652
Breakfast	0	0	207,439	0	207,439
Adult Education State Grant Program	0	92,263	0	0	92,263
Vocational Education - Basic Grants to States	0	54,785	0	0	54,785
Title I Grants to Local Education Agencies	0	530,240	0	0	530,240
Innovative Education Program Strategies	0	4,956	0	0	4,956
Special Education - Grants to States	0	671,633	0	0	671,633
Special Education Preschool Grants	0	23,176	0	0	23,176
Eisenhower Professional Development State Grants	0	141,641	0	0	141,641
Other Federal through State	0	20,910	0	0	20,910
<u>Direct Federal Revenue</u>					
Public Law 874 - Maintenance and Operation	9,216	0	0	0	9,216
Total Federal Government	\$ 9,216	\$ 1,539,604	\$ 787,091	\$ 0	\$ 2,335,911
Total	\$ 17,533,431	\$ 1,572,859	\$ 1,490,903	\$ 50,000	\$ 20,647,193

Exhibit G-4

Smith County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Smith County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	6,293,558	
Career Ladder Program		103,842	
Career Ladder Extended Contracts		37,250	
Educational Assistants		151,866	
Other Salaries & Wages		200	
Certified Substitute Teachers		29,897	
Non-certified Substitute Teachers		51,196	
Social Security		392,027	
State Retirement		399,027	
Medical Insurance		977,330	
Unemployment Compensation		2,664	
Employer Medicare		91,684	
Maintenance & Repair Services - Equipment		9,859	
Other Contracted Services		468	
Instructional Supplies and Materials		94,507	
Textbooks		178,444	
Other Supplies and Materials		18,346	
Fee Waivers		11,607	
Other Charges		3,427	
Regular Instruction Equipment		177,711	
Total Regular Instruction Program			\$ 9,024,910

Alternative Instruction Program

Teachers	\$	39,785	
Career Ladder Program		1,000	
Social Security		2,508	
State Retirement		2,500	
Medical Insurance		4,591	
Unemployment Compensation		13	
Employer Medicare		586	
Other Supplies and Materials		200	
Total Alternative Instruction Program			51,183

Special Education Program

Teachers	\$	702,439
Career Ladder Program		9,000
Career Ladder Extended Contracts		2,500
Educational Assistants		47,862
Speech Pathologist		33,867

(Continued)

Exhibit G-4

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.)

Certified Substitute Teachers	\$	1,128	
Non-certified Substitute Teachers		3,280	
Social Security		46,694	
State Retirement		47,730	
Medical Insurance		122,812	
Unemployment Compensation		345	
Employer Medicare		10,921	
Instructional Supplies and Materials		1,991	
Other Supplies and Materials		1,073	
Total Special Education Program			\$ 1,031,642

Vocational Education Program

Teachers	\$	468,243	
Career Ladder Program		4,882	
Career Ladder Extended Contracts		1,000	
Certified Substitute Teachers		3,322	
Non-certified Substitute Teachers		4,365	
Social Security		27,936	
State Retirement		28,848	
Medical Insurance		84,981	
Unemployment Compensation		209	
Employer Medicare		6,533	
Instructional Supplies and Materials		9,701	
Total Vocational Education Program			640,020

Support Services

Attendance

Supervisor/Director	\$	44,343	
Career Ladder Extended Contracts		4,000	
Social Workers		18,281	
Other Salaries & Wages		849	
Social Security		4,167	
State Retirement		4,111	
Medical Insurance		7,194	
Unemployment Compensation		28	
Employer Medicare		975	
Travel		1,530	
Other Contracted Services		290	
Other Supplies and Materials		670	

(Continued)

Exhibit G-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Attendance Equipment	\$ 4,612	
Total Attendance		\$ 91,050

Health Services

Medical Personnel	\$ 68,027	
Social Security	3,545	
State Retirement	4,170	
Medical Insurance	15,996	
Unemployment Compensation	27	
Employer Medicare	829	
Travel	2,613	
Drugs and Medical Supplies	248	
Other Supplies and Materials	594	
Health Equipment	1,643	
Total Health Services		97,692

Other Student Support

Career Ladder Program	\$ 5,000	
Guidance Personnel	242,869	
Career Ladder Extended Contracts	5,000	
Social Security	14,332	
State Retirement	15,501	
Medical Insurance	44,710	
Unemployment Compensation	79	
Employer Medicare	3,352	
Contracts with Government Agencies	63,388	
Evaluation and Testing	34,224	
Other Charges	260	
Total Other Student Support		428,715

Regular Instruction Program

Supervisor/Director	\$ 58,141
Career Ladder Program	4,980
Career Ladder Extended Contracts	1,000
Librarians	207,249
Instructional Computer Personnel	66,134
Social Security	19,944
State Retirement	20,328
Medical Insurance	42,520

(Continued)

Exhibit G-4

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.)

Unemployment Compensation	\$	118	
Employer Medicare		4,664	
Data Processing Services		2,119	
Travel		15,840	
Library Books/Media		19,919	
Other Supplies and Materials		3,600	
In Service/Staff Development		12,905	
Other Charges		785	
Total Regular Instruction Program			\$ 480,246

Special Education Program

Supervisor/Director	\$	59,204	
Career Ladder Program		1,000	
Psychological Personnel		44,587	
Social Security		6,341	
State Retirement		6,424	
Medical Insurance		14,467	
Unemployment Compensation		27	
Employer Medicare		1,483	
Contracts with Private Agencies		36	
Travel		18,422	
In Service/Staff Development		419	
Total Special Education Program			152,410

Vocational Education Program

Supervisor/Director	\$	48,139	
Clerical Personnel		5,456	
Social Security		3,323	
State Retirement		3,303	
Medical Insurance		4,907	
Unemployment Compensation		18	
Employer Medicare		777	
Travel		3,209	
Other Supplies and Materials		43	
Total Vocational Education Program			69,175

Adult Programs

Career Ladder Program	\$	1,000	
Social Security		62	

(Continued)

Exhibit G-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

State Retirement	\$	61	
Unemployment Compensation		2	
Employer Medicare		14	
Total Adult Programs			\$ 1,139

Board of Education

Secretary to Board	\$	1,171	
Board and Committee Members Fees		12,700	
Social Security		859	
State Retirement		72	
Medical Insurance		1,219	
Unemployment Compensation		24	
Employer Medicare		201	
Audit Services		7,000	
Contracts with Government Agencies		9,702	
Contracts with Private Agencies		9,087	
Dues and Memberships		7,341	
Legal Services		11,466	
Other Contracted Services		410	
Other Supplies and Materials		15	
Liability Insurance		27,695	
Premiums on Corporate Surety Bonds		448	
Trustee's Commission		94,389	
Workers' Compensation Insurance		93,883	
Criminal Investigation of Applicants - TBI		96	
Refund to Applicant for Criminal Investigation		3,744	
Other Charges		1,885	
Total Board of Education			283,407

Director of Schools

County Official/Administrative Officer	\$	79,367	
Career Ladder Program		1,000	
Social Security		4,983	
State Retirement		4,927	
Medical Insurance		4,720	
Unemployment Compensation		13	
Employer Medicare		1,165	
Communication		18,275	
Dues and Memberships		1,499	

(Continued)

Exhibit G-4

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Travel	\$	3,614	
Other Charges		390	
Total Director of Schools			\$ 119,953

Office of the Principal

Principals	\$	506,556	
Career Ladder Program		10,000	
Accountants/Bookkeepers		91,720	
Career Ladder Extended Contracts		13,250	
Assistant Principals		158,342	
Clerical Personnel		79,129	
Social Security		51,363	
State Retirement		52,817	
Medical Insurance		74,569	
Unemployment Compensation		333	
Employer Medicare		12,012	
Communication		3,805	
Dues and Memberships		2,550	
Other Contracted Services		347	
Other Charges		71	
Administration Equipment		9,038	
Total Office of the Principal			1,065,902

Fiscal Services

Accountants/Bookkeepers	\$	89,551	
Clerical Personnel		27,322	
Social Security		7,195	
State Retirement		6,850	
Medical Insurance		17,927	
Unemployment Compensation		64	
Employer Medicare		1,683	
Data Processing Services		8,485	
Maintenance & Repair Services - Office Equipment		4,723	
Travel		619	
Office Supplies		6,621	
Total Fiscal Services			171,040

Operation of Plant

Custodial Personnel	\$	301,180	
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(Continued)

Exhibit G-4

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 Salaries & Wages	\$	322	
Social Security		18,201	
State Retirement		15,869	
Medical Insurance		525	
Unemployment Compensation		368	
Employer Medicare		4,257	
Contracts with Government Agencies		625	
Contracts with Private Agencies		18,143	
Maintenance & Repair Services - Equipment		849	
Pest Control		4,275	
Custodial Supplies		23,756	
Electricity		705,703	
Natural Gas		117,683	
Water and Sewer		51,589	
Other Supplies and Materials		9,251	
Boiler Insurance		988	
Building and Contents Insurance		34,251	
Other Charges		424	
Plant Operation Equipment		18,082	
Total Operation of Plant			\$ 1,326,341

Maintenance of Plant

Supervisor/Director	\$	54,720	
Maintenance Personnel		112,818	
Other Salaries & Wages		20,111	
Social Security		11,604	
State Retirement		11,867	
Medical Insurance		24,570	
Unemployment Compensation		103	
Employer Medicare		2,714	
Contracts with Private Agencies		1,844	
Laundry Service		2,244	
Maintenance & Repair Services - Buildings		3,484	
Maintenance & Repair Services - Equipment		44,145	
Other Contracted Services		4,780	
Other Supplies and Materials		52,212	
Maintenance Equipment		5,190	
Total Maintenance of Plant			352,406

(Continued)

Exhibit G-4

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

Supervisor/Director	\$	34,760	
Mechanic(s)		73,460	
Bus Drivers		363,618	
Other Salaries & Wages		18,849	
Social Security		29,566	
State Retirement		27,808	
Medical Insurance		23,440	
Unemployment Compensation		480	
Employer Medicare		6,915	
Communication		1,152	
Contracts with Government Agencies		383	
Contracts with Private Agencies		1,123	
Contracts with Parents		743	
Laundry Service		1,897	
Maintenance & Repair Services - Equipment		1,142	
Maintenance & Repair Services - Vehicles		585	
Medical and Dental Services		1,800	
Tow-in Services		2,140	
Travel		504	
Diesel Fuel		110,500	
Garage Supplies		3,431	
Gasoline		19,570	
Lubricants		8,639	
Tires and Tubes		12,805	
Vehicle Parts		81,483	
Gravel and Chert		514	
Other Supplies and Materials		611	
Vehicle and Equipment Insurance		30,074	
Other Charges		340	
Transportation Equipment		171,446	
Total Transportation			\$ 1,029,778

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$	1,000	
Social Security		80	
State Retirement		80	
Employer Medicare		30	
Total Food Service			1,190

(Continued)

Exhibit G-4

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.)

Community Services

Supervisor/Director	\$	33,951	
Other Salaries & Wages		972	
Social Security		2,034	
State Retirement		2,166	
Medical Insurance		5,898	
Unemployment Compensation		15	
Employer Medicare		476	
Travel		828	
Other Supplies and Materials		133	
Other Charges		416	
Total Community Services			\$ 46,889

Early Childhood Education

Teachers	\$	134,123	
Educational Assistants		39,314	
Certified Substitute Teachers		178	
Non-certified Substitute Teachers		495	
Social Security		10,521	
State Retirement		10,433	
Medical Insurance		21,475	
Unemployment Compensation		104	
Employer Medicare		2,461	
Instructional Supplies and Materials		22,137	
Fencing		2,700	
Other Supplies and Materials		5,931	
In Service/Staff Development		1,195	
Other Equipment		10,313	
Total Early Childhood Education			261,380

Capital Outlay

Regular Capital Outlay

Consultants	\$	1,485	
Fencing		3,422	
Building Improvements		61,263	
Site Development		4,850	
Other Capital Outlay		30,621	
Total Regular Capital Outlay			101,641

Total General Purpose School Fund \$ 16,828,109

(Continued)

Exhibit G-4

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	360,762	
Educational Assistants		28,802	
Certified Substitute Teachers		1,419	
Non-certified Substitute Teachers		4,751	
Social Security		23,906	
State Retirement		24,051	
Medical Insurance		62,187	
Unemployment Compensation		343	
Employer Medicare		5,583	
Instructional Supplies and Materials		5,780	
Other Supplies and Materials		749	
Regular Instruction Equipment		17,192	
Total Regular Instruction Program			\$ 535,525

Special Education Program

Educational Assistants	\$	180,274	
Speech Pathologist		28,337	
Other Salaries & Wages		10,318	
Certified Substitute Teachers		76	
Non-certified Substitute Teachers		616	
Social Security		13,071	
State Retirement		12,514	
Medical Insurance		7,683	
Unemployment Compensation		478	
Employer Medicare		3,057	
Contracts with Private Agencies		181,366	
Maintenance & Repair Services - Equipment		1,370	
Other Contracted Services		3,148	
Instructional Supplies and Materials		44,358	
Textbooks		3,998	
Other Supplies and Materials		8,611	
Special Education Equipment		81,196	
Total Special Education Program			580,471

Vocational Education Program

Instructional Supplies and Materials	\$	19,974	
Other Supplies and Materials		1,500	
Vocational Instruction Equipment		25,157	
Total Vocational Education Program			46,631

(Continued)

Exhibit G-4

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

Teachers	\$	60,251	
Social Security		4,470	
State Retirement		4,517	
Medical Insurance		5,550	
Unemployment Compensation		57	
Employer Medicare		1,045	
Travel		61	
Instructional Supplies and Materials		821	
Regular Instruction Equipment		846	
Total Adult Education Program			\$ 77,618

Support Services

Other Student Support

Travel	\$	4,556	
Other Supplies and Materials		1,642	
In Service/Staff Development		1,000	
Other Charges		5,004	
Total Other Student Support			12,202

Regular Instruction Program

Supervisor/Director	\$	46,659	
Social Security		2,872	
State Retirement		2,860	
Medical Insurance		5,140	
Unemployment Compensation		25	
Employer Medicare		672	
Travel		991	
Library Books/Media		9,210	
Other Supplies and Materials		6,294	
In Service/Staff Development		38,729	
Other Equipment		125	
Total Regular Instruction Program			113,577

Special Education Program

Psychological Personnel	\$	51,002	
Clerical Personnel		17,843	
Social Security		3,911	
State Retirement		4,253	
Medical Insurance		12,559	

(Continued)

Exhibit G-4

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.)

Unemployment Compensation	\$	49	
Employer Medicare		915	
Maintenance & Repair Services - Equipment		739	
Travel		671	
Other Supplies and Materials		3,644	
In Service/Staff Development		5,225	
Total Special Education Program			\$ 100,811

Vocational Education Program

Other Salaries & Wages	\$	2,000	
Total Vocational Education Program			2,000

Adult Programs

Supervisor/Director	\$	44,504	
Other Salaries & Wages		9,654	
Social Security		3,945	
State Retirement		3,964	
Medical Insurance		4,271	
Unemployment Compensation		38	
Employer Medicare		923	
Communication		458	
Travel		360	
Other Supplies and Materials		396	
In Service/Staff Development		2,630	
Total Adult Programs			71,143

Transportation

Bus Drivers	\$	20,000	
Social Security		1,240	
State Retirement		1,290	
Unemployment Compensation		49	
Employer Medicare		290	
Contracts with Parents		9,816	
Transportation Equipment		43,000	
Total Transportation			75,685

Total School Federal Projects Fund \$ 1,615,663

(Continued)

Exhibit G-4

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	\$	46,270	
Accountants/Bookkeepers		27,846	
Cafeteria Personnel		482,507	
Other Salaries & Wages		3,603	
Social Security		34,539	
State Retirement		31,510	
Medical Insurance		10,206	
Unemployment Compensation		365	
Employer Medicare		8,078	
Communication		1,938	
Legal Notices, Recording, and Court Costs		12	
Maintenance & Repair Services - Equipment		10,485	
Pest Control		3,348	
Printing, Stationery, and Forms		1,043	
Travel		2,057	
Other Contracted Services		6,494	
Data Processing Supplies		1,371	
Equipment and Machinery Parts		6,876	
Food Supplies		694,981	
Office Supplies		285	
Uniforms		1,270	
Other Supplies and Materials		55,921	
In Service/Staff Development		899	
Refund to Applicant for Criminal Investigation		720	
Food Service Equipment		4,452	
Total Food Service			\$ 1,437,076

Total Central Cafeteria Fund \$ 1,437,076

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	68,434	
Other Contracted Services		500	
Building Construction		2,200	
Land		150,000	
Total Education Capital Projects			\$ 221,134

Total Education Capital Projects Fund 221,134

Total Governmental Funds - Smith County School Department \$ 20,101,982

**SINGLE AUDIT REPORT**  
**SMITH COUNTY, TENNESSEE**  
**AND**  
**SMITH COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*STEVE REEDER, CPA, CGFM, CFE*  
*Auditor 4*

*MELODIE C. WHEELER, CFE*  
*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

October 24, 2007

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, 2007, 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 October 24, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements,

but not for the purpose of expressing an opinion on the effectiveness of Smith County's and the Smith County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Smith County's and the Smith County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.03, 07.04, 07.05, 07.08, 07.13(A,B), 07.14, and 07.16.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Smith County's and the Smith County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, of the significant deficiencies described above, we consider items 07.04, 07.05, and 07.08 to be material weaknesses.

### Compliance and Other Matters

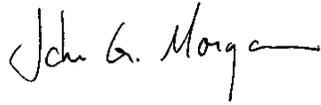
As part of obtaining reasonable assurance about whether Smith County's and the Smith County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items: 07.01, 07.02, 07.06, 07.07, 07.09, 07.10, 07.11, 07.12, and 07.13(C,D).

We consider item 07.15 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to the management of Smith County and the Smith County School Department in separate communications.

Smith County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Smith County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, road commissioner, County Commission, Board of Education, others within Smith County, 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" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb



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

October 24, 2007

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, 2007. 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 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 of 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, 2007.

### 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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Smith County's and the Smith County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures 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, 2007, and have issued our reports thereon dated October 24, 2007. 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. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise a portion of Smith County's and the Smith County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 management, the county mayor, director of schools, road commissioner, County Commission, Board of Education, others within Smith County, 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.

Yours very truly,



John G. Morgan  
Comptroller of the Treasury

JGM/sb

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, 2007

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	\$ 73,216
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	207,439
National School Lunch Program	10.555	N/A	579,652
Total U.S. Department of Agriculture			<u>\$ 860,307</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program Direct Program:	14.228	GG-05-11831-00	\$ 221,352
Economic Development Initiative Special Project Grant	14.251	N/A	247,500
Total U.S. Department of Housing and Urban Development			<u>\$ 468,852</u>
U.S. Department of Interior:			
Passed-through Tennessee Wildlife Resource Agency:			
Sport Fish Restoration	15.605	GG-04-1120-00	\$ 54,063
U.S. Department of Justice:			
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Grant Program	16.579	Z-06-027064-00	\$ 15,000
Direct Program:			
Public Safety Partnerships and Community Policing Grants	16.710	N/A	3,850
Total U.S. Department of Justice			<u>\$ 18,850</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Incentive Grants - Section 503 Grants to States	17.267	(3)	\$ 11,519
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033734-00	\$ 92,988
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	501,405
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	752,624
Special Education - Preschool Grants	84.173	N/A	22,882
Vocational Education - Basic Grants to States	84.048	N/A	54,338
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	10,472
State Grants for Innovative Programs	84.298	N/A	6,933
Education Technology State Grants	84.318	(2)	7,929
Improving Teacher Quality State Grants	84.367	N/A	149,998
Hurricane Education Recovery	84.938	(2)	9,216
Total U.S. Department of Education			<u>\$ 1,608,785</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. Elections Assistance Commission:			
Passed-through Tennessee Office of Secretary of State: Help America Vote Act Requirements Payments	90.401	(2)	\$ 161,825
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)	\$ 34,509
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	\$ 13,947
Flood Mitigation Assistance	97.029	FEMA1464-DR-TN	7,269
Emergency Management Performance Grants	97.042	(5)	8,103
Total U.S. Department of Homeland Security			\$ 29,319
Total Expenditures of Federal Awards			\$ 3,248,029
<u>State Grants</u>			
		Contract Number	
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 16,572
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,211
Litter Program - State Department of Transportation	N/A	Z-07-033848-00	26,221
Law Enforcement Training - State Department of Safety	N/A	(2)	3,140
Local Health Services Grant - State Department of Health	N/A	(2)	3,928
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	17,056
Agriculture Enhancement Program - State Department of Agriculture	N/A	(2)	1,495
Juvenile Services - State Children's Services Commission	N/A	(2)	9,270
Family Resource Center - State Department of Education	N/A	(2)	34,030
Lottery for Education - PreK - State Department of Education	N/A	(2)	351,202
Touching the Lives of Children - State Department of Education	N/A	(2)	7,050
Career Academics Technical Integration - State Department of Education	N/A	(2)	12,370
Flood Control -State Department of Transportation	N/A	(2)	4,338
Total State Grants			\$ 493,883

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-05-023786-00: \$1,559; Z-07-038003-00: \$9,960.

(4) Z-07-022494-02: \$1,230; Z-05-025209-00: \$12,717.

(5) Z-07-2062700: \$8,000; Z-06-03282-00: \$103.

Smith County, Tennessee, and the Smith County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2007

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, 2006, which have not been corrected.

**SMITH COUNTY**

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
06.02	13	The office did not maintain the Solid Waste Disposal Fund on the accrual basis of accounting
06.03(A, B)	14	Purchase orders were issued after purchases were made and invoices were paid without documentation that goods had been received or services had been rendered
06.04	14	The Courthouse and Jail Maintenance Fund had a fund deficit
06.07	16	Inventory records were not maintained adequately
06.09	17	The office did not file a debt obligation report with the state director of Local Finance

**OFFICE OF ROAD COMMISSIONER**

Finding Number	Page Number	Subject
06.11(A, B)	18	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

**OFFICE OF DIRECTOR OF SCHOOLS**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
06.13	19	Competitive bids were not solicited on the purchases of insurance

**OFFICE OF SHERIFF**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
06.15(A, B, D)	20	The cash journal did not accurately reflect the operations of the Sheriff's Department; bank statements for the commissary, drug control, and law enforcement training center were not reconciled with cash control records; and funds were not always deposited to the office bank account within three days of collection
06.17	22	Internal controls over evidence and seized property were not adequate

**OTHER FINDINGS**

<b>Finding Number</b>	<b>Page Number</b>	<b>Subject</b>
06.18	22	A central system of accounting, budgeting, and purchasing had not been adopted
06.19	23	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, 2007**

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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 significant deficiencies in internal control. Three of these deficiencies were also considered to be material weaknesses in Smith County.
3. The audit disclosed three 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 no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: 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 \$300,000 threshold 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 written responses of the director of schools and the sheriff 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 07.01      **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 No. 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 07.02      **THE OFFICE DID NOT MAINTAIN THE SOLID WASTE DISPOSAL FUND ON THE ACCRUAL BASIS OF ACCOUNTING****

(Material Noncompliance Under Government Auditing Standards)

The Solid Waste Disposal Fund is presented in the financial statements of this report as an enterprise fund. An enterprise fund is accounted for using the accrual basis of accounting which requires revenues to be recorded when earned and expenses to be recorded when incurred. Smith County officials did not make the necessary accounting entries to properly recognize revenues and expenses of the Solid Waste Disposal Fund on an accrual basis of accounting. Our audit noted the following accounting deficiencies in the maintenance of the Solid Waste Disposal Fund:

- A. County officials did not properly determine and record receivables and payables on the accounting records as required by generally accepted accounting principles. We performed additional audit procedures to determine unrecorded receivables (\$106,951) and payables (\$519,914) at June 30, 2007.
  
- B. County officials did not properly adjust estimated landfill closure and postclosure care costs on the accounting records of the Solid Waste Disposal Fund for the year. We determined that the estimated liability should have been reduced by \$83,764 during the year ended June 30, 2007, with information obtained 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.
  
- C. County officials did not properly post the general ledger for debt issued and debt principal payments made during the year. Loan proceeds (\$280,800) were posted as other sources of income and principal payments on capital outlay notes (\$186,528) were posted as current year expenses. These transactions should have been posted to 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. All assets, liabilities, fund equity, revenues, and expenses associated with the operation of the enterprise fund should be accounted for properly.

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FINDING 07.03      **THE COURTHOUSE AND JAIL MAINTENANCE FUND HAD A FUND DEFICIT**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Courthouse and Jail Maintenance Fund had a fund deficit of \$17,987 at June 30, 2007. This fund deficit resulted from expenditures for 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 07.04      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(Internal Control – Material Weakness 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. Smith County general government employees had access to several county credit cards. The county mayor maintains a list of account numbers assigned to each department/office. However, the County Commission had not developed written guidelines governing the use of these cards.

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. The County Commission should adopt written guidelines governing the use of credit cards. These guidelines should identify those who are entitled to use the credit cards and the purposes for which the credit cards can be used.

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FINDING 07.05      **INVENTORY RECORDS WERE NOT MAINTAINED ADEQUATELY**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The county mayor’s office received lists of assets from all departments; however, these lists lacked pertinent information such as the date the asset was acquired, a serial number or other identifying number, and the asset’s purchase price. Also, the county did not have procedures to ensure that newly acquired assets were added to the inventory records 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 that adequately identifies all county assets. 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.

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FINDING 07.06      **THE OFFICE DID NOT FILE DEBT OBLIGATION REPORTS 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 capital leases issued during the year for patrol cars (\$191,258) and trucks (\$208,252). 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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**FINDING 07.07      AMOUNTS WITHHELD FROM CONTRACTOR PAYMENTS WERE NOT DEPOSITED INTO AN ESCROW ACCOUNT**  
(Noncompliance Under Government Auditing Standards)

The office did not deposit amounts withheld from contractor payments (\$73,816) into an escrow account. Section 66-11-144, Tennessee Code Annotated, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more.

**RECOMMENDATION**

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

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**OFFICE OF ROAD COMMISSIONER**

**FINDING 07.08      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of the office’s purchasing procedures noted 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, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.

**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. Also, all invoices should be canceled when paid.

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**OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 07.09 FUNDS WERE TRANSFERRED FROM THE GENERAL PURPOSE SCHOOL FUND TO THE SCHOOL FEDERAL PROJECTS FUND WITHOUT BOARD OF EDUCATION OR COUNTY COMMISSION APPROVAL**  
(Noncompliance Under Government Auditing Standards)

At June 30, 2007, the financial statements of the General Purpose School Fund reflected a liability of \$11,916 due to the School Federal Projects Fund. This liability was established by the School Department to transfer funds to liquidate overexpenditures in the budget of the Adult Education Program in the School Federal Projects Fund. On August 10, 2007, this transfer was completed with a check issued from the General Purpose School Fund to the School Federal Projects Fund. This transfer was not approved by the Smith County Board of Education or the County Commission.

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

**RECOMMENDATION**

Fund transfers should be approved by the Board of Education and the County Commission.

**MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS)**

The School Department will strive to take all amounts before the Board of Education and County Commission as required.

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**FINDING 07.10 COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF INSURANCE**  
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of liability insurance (\$27,695), vehicle and equipment insurance (\$29,486), and building and content insurance (\$34,251). 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.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Competitive bids will be taken as required.

---

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 07.11      **UNCLAIMED FUNDS WERE NOT REPORTED AND PAID TO THE STATE**

(Material Noncompliance Under Government Auditing Standards)

The clerk did not report and pay to the state unclaimed funds (old outstanding checks) held in Circuit Court (\$3,952) and General Sessions Court (\$22,730). The Unclaimed Property Act, Section 66-29-101, et seq., Tennessee Code Annotated, provide that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. These statutes further provide for the funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The clerk should report and pay to the state unclaimed funds held for more than one year as required by state statute.

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FINDING 07.12      **THE OFFICE DID NOT DEPOSIT FUNDS WITHIN THREE DAYS OF COLLECTION**

(Noncompliance Under Government Auditing Standards)

The circuit and general sessions courts clerk did not deposit funds within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days after receipt of the funds.

RECOMMENDATION

The clerk should ensure that all funds are deposited to the office bank account within three days of collection as required by state statute.

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## **OFFICE OF SHERIFF**

### **FINDING 07.13**

#### **THE OFFICE HAD ACCOUNTING DEFICIENCIES**

(A. and B. – Internal Control – Significant Deficiency 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 accounts administered by the office were not reconciled with cash control records. The bank balances were determined by confirmation and alternative audit procedures.
- C. Funds were not always deposited to the office bank account within three days of collection. Section 5-8-207, Tennessee Code Annotated (TCA), requires county officials to deposit all public funds to their office bank account within three days of collection.
- D. Official prenumbered checks were not issued for all disbursements. Section 5-8-207, TCA, requires county officials to issue prenumbered checks for all disbursements.

### **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. Funds should be deposited to the office bank account within three days of collection, and all disbursements should be made by prenumbered checks as required by state statutes.

### **MANAGEMENT'S RESPONSE – SHERIFF**

The commissary, drug control, and law enforcement training center accounts have been closed out. We now have one checking account at Smith County Bank. Bank statements are now reconciled with the cash journal. We called Smith County Bank and had them to run our statements at the end of every month instead of mailing them before the month ends. All money is now deposited into the bank within three days of collection. All our checks are prenumbered for the only account we have at Smith County Bank.

**FINDING 07.14      INTERNAL CONTROLS OVER EVIDENCE AND SEIZED PROPERTY WERE NOT ADEQUATE**  
(Internal Control – Significant Deficiency 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 the property.

**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.

**MANAGEMENT'S RESPONSE – SHERIFF**

We will keep a log for all evidence and seized property. It will include the date received, case number, description, location, signatures of the individuals signing evidence in and out, and the disposition.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 07.15      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency 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.

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

We disagree with this finding. This is a comptroller recommendation only.

## REBUTTAL TO THE DIRECTOR OF SCHOOL'S RESPONSE

The Comptroller's Office does recommend a central system of accounting, budgeting, and purchasing based on sound business practices. The consolidation of these functions should increase the efficiency and effectiveness of the county's financial operations.

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**FINDING 07.16      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 – Significant Deficiency Under Government Auditing Standards)

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 still are limited with the resources to further segregate duties.

### MANAGEMENT'S RESPONSE – SHERIFF

The chief clerk keeps the books for the Smith County Sheriff's Office. She also makes all the deposits into the bank and writes the checks. When the dispatchers are busy and someone comes in to pay a cash bond, she will sometimes write receipts. We feel that the person who deposits and writes the checks needs to be the bookkeeper. Our books close out perfect at the end of the month and at the end of the fiscal year.

### REBUTTAL TO THE SHERIFF'S RESPONSE

To increase internal controls, employees responsible for maintaining accounting records should not be involved in receipting, depositing, and/or disbursing funds.

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

There were no findings and questioned costs for federal awards.

**SMITH COUNTY, TENNESSEE, AND THE  
SMITH COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

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

**Director of Schools – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.19 and 06.20**

Although the School Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigates the lack of segregation of duties as it pertains to federal awards.