

**ANNUAL FINANCIAL REPORT  
SMITH COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2008**



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**ANNUAL FINANCIAL REPORT  
SMITH COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2008**

***DEPARTMENT OF AUDIT  
JUSTIN P. WILSON  
Comptroller of the Treasury***

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

***JAMES R. ARNETTE  
Director***

***JEFF BAILEY, CPA, CGFM, CFE  
Audit Manager***

***EUGENE HAMPTON, II, CPA, CGFM  
Auditor 4***

***FERMAN PRIDE, CGFM  
STEPHANIE GORDON, CFE  
TERYN MCNEAL  
KELLEY J. MCNEAL, CPA, CGFM  
State Auditors***

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

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***Audit Highlights***  
Annual Financial Report  
Smith County, Tennessee  
For the Year Ended June 30, 2008

***Scope***

We have audited the basic financial statements of Smith County as of and for the year ended June 30, 2008.

***Results***

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

Our audit resulted in 13 findings and recommendations, which we have reviewed with Smith County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

***Findings***

The following are summaries of the audit findings:

**OFFICE OF COUNTY MAYOR**

- ◆ Deficiencies were noted in the administration of the Solid Waste Disposal Fund.
- ◆ The office had deficiencies in budget operations.
- ◆ Deficiencies were noted in the maintenance of capital assets records.
- ◆ The solid waste software did not have adequate application controls.

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**OFFICE OF ROAD COMMISSIONER**

- ◆ The office had not adopted a formal travel policy and did not account for actual travel expenses incurred.

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**OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Amounts withheld from contractor payments were not deposited into an escrow account.
  - ◆ Expenditures exceeded appropriations.
-

## **OFFICE OF COUNTY CLERK**

- ◆ Funds totaling \$819.04 were stolen during a break-in that had occurred in the office.
- 

## **OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND REGISTER**

- ◆ The offices did not review software audit logs.
- 

## **OFFICE OF SHERIFF**

- ◆ The extension of an inmate telephone contract was not approved by the County Commission.
  - ◆ Internal controls over evidence and seized property were not adequate.
- 

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Ambulance Service Department and the Offices of 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, 2008

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### **Officials**

Michael Nesbitt, County Mayor  
Ralph Coble, Road Commissioner  
Roger Lewis, Director of Schools  
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, County Mayor, 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	James Winfree
James Gibbs, Jr.	Jeffery Winfree
Ricky Gibbs	Billy Woodard
David Gross	Michael Woodard
Billy Halliburton	Darryl York
Vernon Hesson	

### **Board of Education**

Larry Taylor Wilkerson, Chairman  
Shane Campbell  
Richard Fulton  
Hal Givens  
Terry Hunt  
Tommy Manning  
Pat Massey  
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 37243-1402  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

June 12, 2009

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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Smith County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Smith County's basic financial statements as listed in the table of contents. 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 did not audit the financial statements of the Public Library Fund, a special revenue fund, which represent two percent and nine percent, respectively, of the assets and revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Smith County Emergency Communications District, which represent one percent of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Library Fund and the Smith County Emergency Communications District, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Smith County, Tennessee, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof 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 June 12, 2009, 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.

As described in Note V.B., Smith County has implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, Smith County has adopted the provisions of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

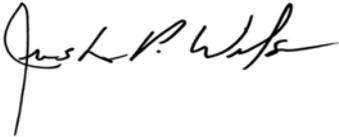
The management of Smith County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison and pension information on pages 81 through 87 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 and the debt service funds, combining and individual fund financial statements of the Smith County School Department (a discretely presented component unit), and miscellaneous schedules are

presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service funds, combining and individual fund financial statements of the Smith County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, 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 by us 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Smith County, Tennessee  
Statement of Net Assets (cont.)

	Primary Government		Total	Component Units	
	Governmental Activities	Business-type Activities		Smith County School Department	Smith County Emergency Communications District
<b>NET ASSETS</b>					
Invested in Capital Assets,					
Net of Related Debt	\$ 18,426,750	\$ 1,936,423	\$ 20,363,173	\$ 0	\$ 0
Invested in Capital Assets Restricted for:	0	0	0	34,481,853	143,578
Capital Projects	223,973	0	223,973	1	0
Debt Service	1,582,260	0	1,582,260	0	0
Highway/Public Works	496,714	0	496,714	0	0
Courthouse and Jail Maintenance	276,513	0	276,513	0	0
Special Purpose	22,854	0	22,854	0	0
Drug Control	37,521	0	37,521	0	0
Public Library	45,083	0	45,083	0	0
Ambulance Service	467,881	0	467,881	0	0
Solid Waste/Sanitation	19,213	0	19,213	0	0
Alcohol and Drug Treatment	46,134	0	46,134	0	0
Other Capital Outlay	121,316	0	121,316	0	0
School Federal Projects	0	0	0	190,639	0
Central Cafeteria	0	0	0	385,241	0
Vocational Projects	0	0	0	203,846	0
Basic Education Program	0	0	0	907,458	0
Career Ladder - Extended Contracts	0	0	0	83,149	0
Other Purposes	29,258	0	29,258	438	0
Unrestricted	(15,506,787)	(2,365,794)	(17,872,581)	429,895	250,736
Total Net Assets	\$ 6,288,683	\$ (429,371)	\$ 5,859,312	\$ 36,682,520	\$ 394,314

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

Exhibit B

Smith County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Operating Grants and Contributions			Capital Grants and Contributions		Primary Government			Smith County	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	School Department	Emergency Communications District	
Primary Government:										
Governmental Activities:										
General Government	\$ 999,775	\$ 221,596	\$ 193,783	\$ 0	\$ (584,396)	\$ 0	\$ (584,396)	\$ 0	\$ 0	0
Finance	493,721	433,948	31,683	0	(28,090)	0	(28,090)	0	0	0
Administration of Justice	476,854	420,816	35,194	0	(20,844)	0	(20,844)	0	0	0
Public Safety	2,724,088	295,429	58,944	0	(2,369,715)	0	(2,369,715)	0	0	0
Public Health and Welfare	1,421,113	906,182	395,097	400,000	280,166	0	280,166	0	0	0
Social, Cultural, and Recreational Services	322,398	26,265	179,693	40,000	(76,440)	0	(76,440)	0	0	0
Agriculture and Natural Resources	7,562	0	0	0	(7,562)	0	(7,562)	0	0	0
Other Operations	653,733	26,949	1,836	0	(624,948)	0	(624,948)	0	0	0
Highways/Public Works	2,266,543	0	1,534,880	289,573	(442,090)	0	(442,090)	0	0	0
Education	26,218	0	0	0	(26,218)	0	(26,218)	0	0	0
Interest on Long-term Debt	1,054,911	0	0	0	(1,054,911)	0	(1,054,911)	0	0	0
Other Debt Service	110,180	0	0	0	(110,180)	0	(110,180)	0	0	0
Total Governmental Activities	\$ 10,557,096	\$ 2,331,185	\$ 2,431,110	\$ 729,573	\$ (5,065,228)	\$ 0	\$ (5,065,228)	\$ 0	\$ 0	0
Business-type Activities:										
Solid Waste Disposal	\$ 1,381,652	\$ 1,361,459	\$ 15,837	\$ 0	\$ (4,356)	\$ (4,356)	\$ (4,356)	\$ 0	\$ 0	0
Total Business-type Activities	\$ 1,381,652	\$ 1,361,459	\$ 15,837	\$ 0	\$ (4,356)	\$ (4,356)	\$ (4,356)	\$ 0	\$ 0	0
Total Primary Government	\$ 11,938,748	\$ 3,692,644	\$ 2,446,947	\$ 729,573	\$ (5,069,584)	\$ (4,356)	\$ (5,069,584)	\$ 0	\$ 0	0
Component Units:										
Smith County School Department	\$ 23,336,517	\$ 738,235	\$ 2,536,776	\$ 27,290	\$ 0	\$ 0	\$ 0	\$ (20,034,216)	\$ 0	0
Emergency Communications District	215,161	215,092	9,136	0	0	0	0	0	0	9,067
Total Component Units	\$ 23,551,678	\$ 953,327	\$ 2,545,912	\$ 27,290	\$ 0	\$ 0	\$ 0	\$ (20,034,216)	\$ 0	9,067

(Continued)

Exhibit B

Smith County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Component Units				
					Governmental Activities	Primary Government Business-type Activities	Total	Smith County School Department	Smith County Emergency Communications District
	Expenses	Contributions	Contributions	Total	Governmental Activities	Primary Government Business-type Activities	Total	Smith County School Department	Smith County Emergency Communications District
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes				\$ 2,678,889	\$	0	\$ 2,678,889	\$ 2,899,613	\$ 0
Property Taxes Levied for Debt Service				819,129	0	0	819,129	0	0
Local Option Sales Tax				1,068,658	0	0	1,068,658	1,224,482	0
Wheel Tax				945,614	0	0	945,614	0	0
Litigation Tax				146,963	0	0	146,963	0	0
Business Tax				100,613	0	0	100,613	0	0
Mineral Severance Tax				76,672	0	0	76,672	25	0
Wholesale Beer Tax				86,885	0	0	86,885	0	0
Interstate Telecommunications Tax				2,243	0	0	2,243	1,957	0
Grants and Contributions Not Restricted to Specific Purposes				594,898	0	0	594,898	15,369,705	0
Unrestricted Investment Earnings				288,469	0	0	288,469	11,031	3,305
Miscellaneous				81,962	2,149	0	84,111	45,052	0
Gain on Disposal of Property				0	2,011	0	2,011	0	0
Transfers				396,000	(396,000)	0	0	0	0
Total General Revenues				\$ 7,286,995	\$ (391,840)	\$ 6,895,155	\$ 6,895,155	\$ 19,551,865	\$ 3,305
Change in Net Assets				\$ 2,221,767	\$ (396,196)	\$ 1,825,571	\$ 1,825,571	\$ (482,351)	\$ 12,372
Prior-period Adjustment				0	(588,230)	(588,230)	(588,230)	0	0
Net Assets, July 1, 2007				4,066,916	555,055	4,621,971	4,621,971	37,164,871	381,942
Net Assets, June 30, 2008				\$ 6,288,683	\$ (429,371)	\$ 5,859,312	\$ 5,859,312	\$ 36,682,520	\$ 394,314

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

Exhibit C-1

Smith County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2008

	Major Funds						Nonmajor Funds		Total
	Highway / Public Works			General Debt Service		Education Debt Service	General Capital Projects	Other Governmental Funds	
	General								
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,134	\$ 46,134
Equity in Pooled Cash and Investments	1,547,346	223,615	450,664	1,121,222	207,655			515,723	4,066,225
Accounts Receivable	7,804	0	0	0	0	0	0	925,450	933,254
Allowance for Uncollectibles	0	0	0	0	0	0	0	(579,053)	(579,053)
Due from Other Governments	153,766	268,147	0	74,550	0	0	0	14,000	510,463
Due from Other Funds	30,000	0	0	0	0	0	0	21,404	51,404
Property Taxes Receivable	2,289,011	154,781	386,951	335,547	0	0	0	0	3,166,290
Allowance for Uncollectible Property Taxes	(101,910)	(7,019)	(17,545)	(15,214)	0	0	0	0	(141,688)
Notes Receivable - Current	0	0	10,000	0	0	0	0	0	10,000
Notes Receivable - Long-term	0	0	80,000	0	0	0	0	0	80,000
<b>Total Assets</b>	<b>\$ 3,926,017</b>	<b>\$ 639,524</b>	<b>\$ 910,070</b>	<b>\$ 1,516,105</b>	<b>\$ 207,655</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 943,658</b>	<b>\$ 8,143,029</b>

ASSETS

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 30,767	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,088	\$ 56,855
Accrued Payroll	0	19	0	0	0	0	0	0	19
Payroll Deductions Payable	10,059	2,346	0	0	0	0	0	2,187	14,592
Due to Other Funds	0	0	21,404	0	0	0	0	30,000	51,404
Deferred Revenue - Current Property Taxes	2,076,310	139,986	349,967	303,476	0	0	0	0	2,869,739
Deferred Revenue - Delinquent Property Taxes	104,545	7,338	18,343	15,907	0	0	0	0	146,133
Other Deferred Revenues	99,972	124,580	0	37,250	0	0	0	266,975	528,777
<b>Total Liabilities</b>	<b>\$ 2,321,653</b>	<b>\$ 274,269</b>	<b>\$ 389,714</b>	<b>\$ 356,633</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 325,250</b>	<b>\$ 3,667,519</b>
<b>Fund Balances</b>									
Reserved for Encumbrances	\$ 25,679	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 429,765	\$ 455,444
Reserved for Alcohol and Drug Treatment	46,134	0	0	0	0	0	0	0	46,134
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	273,661	273,661
Reserved for Sexual Offender Registration	3,285	0	0	0	0	0	0	0	3,285

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor Funds		Total
	Highway/ Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other	Govern- mental Funds	Govern- mental Funds	
\$	3,621	\$ 0	\$ 0	\$ 0	\$ 0	0	\$ 0	3,621
Reserved for Courtroom Security	8,590	0	0	0	0	0	0	8,590
Reserved for Computer System - Register	259	0	0	0	0	0	0	259
Reserved for Automation Purposes - Juvenile Court	5,321	0	0	0	0	0	0	5,321
Reserved for Automation Purposes - Chancery Court	8,182	0	0	0	0	0	0	8,182
Reserved for Automation Purposes - Sheriff	0	0	80,000	0	0	0	0	80,000
Reserved for Long-term Notes Receivable	121,316	0	0	0	0	0	0	121,316
Reserved for Capital Outlay								
Unreserved, Reported In:								
General Fund	1,381,977	0	0	0	0	0	0	1,381,977
Special Revenue Funds (Deficit)	0	365,255	0	0	0	(101,336)	0	263,919
Debt Service Funds	0	0	440,356	1,159,472	0	0	0	1,599,828
Capital Projects Funds	0	0	0	0	207,655	16,318	0	223,973
Total Fund Balances	\$ 1,604,364	\$ 365,255	\$ 520,356	\$ 1,159,472	\$ 207,655	\$ 618,408	\$ 4,475,510	
Total Liabilities and Fund Balances	\$ 3,926,017	\$ 639,524	\$ 910,070	\$ 1,516,105	\$ 207,655	\$ 943,658	\$ 8,143,029	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)  
 Reserved for Courtroom Security  
 Reserved for Computer System - Register  
 Reserved for Automation Purposes - Juvenile Court  
 Reserved for Automation Purposes - Chancery Court  
 Reserved for Automation Purposes - Sheriff  
 Reserved for Long-term Notes Receivable  
 Reserved for Capital Outlay  
 Unreserved, Reported In:  
 General Fund  
 Special Revenue Funds (Deficit)  
 Debt Service Funds  
 Capital Projects Funds  
 Total Fund Balances

Total Liabilities and Fund Balances

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  
June 30, 2008

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)		\$	4,475,510
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,039,660	
Add: construction in progress		3,667,226	
Add: buildings and improvements net of accumulated depreciation		1,806,378	
Add: infrastructure net of accumulated depreciation		14,344,447	
Add: other capital assets net of accumulated depreciation		<u>1,387,893</u>	23,245,604
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			674,910
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(17,398,502)	
Less: notes payable		(2,254,375)	
Less: other loans payable		(1,967,114)	
Less: capital leases payable		(288,863)	
Less: compensated absences payable		(28,960)	
Less: accrued interest on bonds		(144,475)	
Less: accrued interest on notes		<u>(25,052)</u>	<u>(22,107,341)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 6,288,683</u>

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

Exhibit C-3

Smith County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
<b>Revenues</b>								
Local Taxes	\$ 3,437,304	\$ 265,617	\$ 445,336	\$ 1,692,675	\$ 0	\$ 160,926	\$ 6,001,858	
Licenses and Permits	87,215	0	0	0	0	0	87,215	
Fines, Forfeitures, and Penalties	44,200	0	0	0	0	12,031	56,231	
Charges for Current Services	55,302	0	0	0	0	924,295	979,597	
Other Local Revenues	420,304	63,083	8,724	0	150	86,765	579,026	
Fees Received from County Officials	914,502	0	0	0	0	0	914,502	
State of Tennessee	742,504	1,813,771	0	0	379,000	43,687	2,978,962	
Federal Government	46,387	0	0	0	400,000	40,000	486,387	
Other Governments and Citizens Groups	69,370	0	0	0	0	75,815	145,185	
<b>Total Revenues</b>	<b>\$ 5,817,088</b>	<b>\$ 2,142,471</b>	<b>\$ 454,060</b>	<b>\$ 1,692,675</b>	<b>\$ 779,150</b>	<b>\$ 1,343,519</b>	<b>\$ 12,228,963</b>	
<b>Expenditures</b>								
Current:								
General Government	\$ 952,447	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,459	\$ 976,906	
Finance	487,418	0	0	0	0	0	487,418	
Administration of Justice	455,796	0	0	0	0	21,058	476,854	
Public Safety	2,733,804	0	0	0	0	1,667	2,735,471	
Public Health and Welfare	88,284	0	0	0	0	1,304,662	1,392,946	
Social, Cultural, and Recreational Services	186,951	0	0	0	0	113,398	300,349	
Agriculture and Natural Resources	69,576	0	0	0	0	0	69,576	
Other Operations	434,101	0	42,480	0	135,283	41,869	653,733	
Highways	350,224	2,025,515	0	0	0	0	2,375,739	
Debt Service:								
Principal on Debt	93,267	57,817	708,714	940,000	0	86,540	1,886,338	
Interest on Debt	12,450	7,697	131,584	890,050	0	18,841	1,060,622	
Other Debt Service	0	0	8,825	21,706	0	79,649	110,180	
Capital Projects	0	0	0	0	1,623,754	1,138,501	2,762,255	
<b>Total Expenditures</b>	<b>\$ 5,864,318</b>	<b>\$ 2,091,029</b>	<b>\$ 891,603</b>	<b>\$ 1,851,756</b>	<b>\$ 1,759,037</b>	<b>\$ 2,830,644</b>	<b>\$ 15,288,387</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (47,230)</b>	<b>\$ 51,442</b>	<b>\$ (437,543)</b>	<b>\$ (159,081)</b>	<b>\$ (979,887)</b>	<b>\$ (1,487,125)</b>	<b>\$ (3,059,424)</b>	

(Continued)

Exhibit C-3

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

	Major Funds						Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General		Education Debt Service	General Capital Projects	Other Governmental Funds	Governmental Funds	
			Debt	Service					
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 350,224	\$ 0	\$ 0	\$ 0	\$ 0	\$ 260,000	\$ 64,654	\$ 674,878	
Other Loans Issued	0	0	0	0	0	0	1,161,067	1,161,067	
Insurance Recovery	10,405	0	0	0	0	0	5,258	15,663	
Transfers In	0	0	0	0	0	0	469,000	469,000	
Transfers Out	(33,000)	0	0	0	0	(40,000)	0	(73,000)	
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 327,629</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 220,000</u>	<u>\$ 1,699,979</u>	<u>\$ 2,247,608</u>	
<u>Net Change in Fund Balances</u>	<u>\$ 280,399</u>	<u>\$ 51,442</u>	<u>\$ (437,543)</u>	<u>\$ (159,081)</u>	<u>\$ (759,887)</u>	<u>\$ (759,887)</u>	<u>\$ 212,854</u>	<u>\$ (811,816)</u>	
<u>Fund Balance, July 1, 2007</u>	<u>1,323,965</u>	<u>313,813</u>	<u>957,899</u>	<u>1,318,553</u>	<u>967,542</u>	<u>405,554</u>	<u>618,408</u>	<u>5,287,326</u>	
<u>Fund Balance, June 30, 2008</u>	<u>\$ 1,604,364</u>	<u>\$ 365,255</u>	<u>\$ 520,356</u>	<u>\$ 1,159,472</u>	<u>\$ 207,655</u>	<u>\$ 618,408</u>	<u>\$ 4,475,510</u>		

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

Exhibit C-4

Smith County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (811,816)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 3,312,318	
Less: current year depreciation expense	<u>(462,704)</u>	2,849,614
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(19,732)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2007	\$ (521,010)	
Add: deferred delinquent property taxes and other deferred June 30, 2008	<u>674,910</u>	153,900
(4) The issuance of long-term debt (e.g., notes, capital leases, bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Less: note proceeds	\$ (674,878)	
Less: other loan proceeds	(1,161,067)	
Add: principal payments on bonds	957,549	
Add: principal payments on notes	669,229	
Add: principal payments on capital leases	167,510	
Add: principal payments on other loans	<u>92,050</u>	50,393
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 5,711	
Change in compensated absences payable	<u>(6,303)</u>	<u>(592)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,221,767</u>

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

Exhibit D-1

Smith County, Tennessee  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 549,223
Accounts Receivable	102,908
Allowance for Uncollectibles	(2,970)
Due from Other Governments	1,875
Total Current Assets	<u>\$ 651,036</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Landfill Facilities and Development	\$ 1,994,045
Land	2,052,484
Buildings and Improvements	59,849
Machinery and Equipment	513,845
Total Noncurrent Assets	<u>\$ 4,620,223</u>
Total Assets	<u>\$ 5,271,259</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Payroll Deductions Payable	\$ 573
Accrued Liability for Landfill Closure/Postclosure Care Costs	11,675
Capital Outlay Notes Payable	77,778
Other Loans Payable	22,443
Total Current Liabilities	<u>\$ 112,469</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 3,004,582
Capital Outlay Notes Payable	622,222
Other Loans Payable	1,961,357
Total Noncurrent Liabilities	<u>\$ 5,588,161</u>
Total Liabilities	<u>\$ 5,700,630</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 1,936,423
Unrestricted	<u>(2,365,794)</u>
Total Net Assets	<u>\$ (429,371)</u>

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

Exhibit D-2

Smith County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2008

	Business-type Activities - Major Enterprise Fund
	Solid Waste Disposal Fund
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,330,252
<u>Operating Expenses</u>	
Landfill Operations and Maintenance	\$ 935,571
Landfill Closure/Postclosure Care Costs	68,471
Depreciation Expense	177,794
Total Operating Expenses	<u>\$ 1,181,836</u>
Operating Income (Loss)	<u>\$ 148,416</u>
<u>Nonoperating Revenues (Expenses)</u>	
Sale of Recycled Materials	\$ 30,507
Sale of Equipment	700
Gain on Disposal of Property	2,011
Grants Received	15,837
Interest on Notes	(21,624)
Interest on Loans	(176,043)
Total Nonoperating Revenues (Expenses)	<u>\$ (148,612)</u>
Income (Loss) Before Transfers	\$ (196)
Transfers Out	<u>(396,000)</u>
Change in Net Assets	\$ (396,196)
Prior-period Adjustment	(588,230)
Net Assets, July 1, 2007	<u>555,055</u>
Net Assets, June 30, 2008	<u><u>\$ (429,371)</u></u>

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

Exhibit D-3

Smith County, Tennessee  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2008

	Business-type Activities - Major Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers and Users	\$ 1,325,839
Payments to Suppliers	(1,169,509)
Payments to Employees	(287,048)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (130,718)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Grants Received	\$ 15,837
Transfers to Other Funds	(396,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ (380,163)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Acquisition of Capital Assets	\$ (293,085)
Sale of Recycled Materials	30,507
Proceeds from Sale of Capital Assets	700
Gain on Disposal of Property	2,011
Capital Debt Proceeds	978,100
Principal Paid on Capital Outlay Note	(186,528)
Principal Paid on Other Loan	(16,200)
Interest Paid on Capital Outlay Note	(21,624)
Interest Paid on Other Loan	(176,043)
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>\$ 317,838</u>
Net Increase (Decrease) in Cash	\$ (193,043)
Cash, July 1, 2007	<u>742,266</u>
Cash, June 30, 2008	<u><u>\$ 549,223</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ 148,416
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	177,794
(Increase) Decrease in Accounts Receivable, Net	(5,615)
(Increase) Decrease in Due from Other Governments	1,202
Increase (Decrease) in Accounts Payable	(36,582)
Increase (Decrease) in Payroll Deductions Payable	(1,072)
Increase (Decrease) in Contracts Payable	(409,516)
Increase (Decrease) in Retainage Payable	(73,816)
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	68,471
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (130,718)</u></u>

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

Exhibit E

Smith County, Tennessee  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,160,035
Investments	44,769
Accounts Receivable	1,169
Due from Other Governments	202,943
Cash Shortage	<u>819</u>
Total Assets	<u>\$ 1,409,735</u>
<u>LIABILITIES</u>	
Cash Overdraft	\$ 892
Due to Other Taxing Units	202,943
Due to Litigants, Heirs, and Others	<u>1,205,900</u>
Total Liabilities	<u>\$ 1,409,735</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, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following are the more significant accounting policies of 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) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**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.

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

The 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 does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the 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. 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Smith County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Smith County issues all debt for the discretely presented Smith County School Department.

Separate financial statements are provided for governmental funds, proprietary fund (enterprise), and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the major enterprise fund are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of 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 reports one proprietary fund, an enterprise fund.

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

**General Capital Projects Fund** – This fund is used to account for financial resources to be used in the acquisition or construction of major capital projects.

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:

**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.

The discretely presented Smith County 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 Smith County School Department reports the following fund types:

**Special Revenue Funds** – These funds 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.

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 fund, subject to this same limitation. Smith County has elected not to follow subsequent private-sector guidance.

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.

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 fund's 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.

## **D. 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 funds and the discretely presented Smith County 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 General Fund. In addition, investments are held separately by the Constitutional Officers – Agency Fund of the county. 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 are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

## **2. Receivables and Payables**

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to two 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 discretely presented Smith County School Department's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the School Department's nonmajor governmental funds.

### **3. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 (\$25,000 for the School Department) or more and an estimated useful life exceeding one year (five years for the School Department). 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, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Landfill Facilities and Development	25
Buildings and Improvements	7 - 40
Other Capital Assets	5 - 20
Infrastructure	20 - 75

Property, plant, equipment, and infrastructure of the discretely presented 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**

**Primary Government**

It is the county's policy (with the exception of the Office of County Clerk) not to allow for the accumulation of unused vacation days beyond year-end. The county clerk permits employees to accumulate earned but unused vacation benefits. All county offices allow the accumulation of unused sick days beyond year-end. There is no liability for unpaid accumulated sick leave (with the exception of the Office of County Clerk) since Smith County's policies do not provide for payment when employees separate from service with the government. Vacation and sick pay for the Office of County Clerk is accrued when incurred in the government-wide financial statements for the county. A liability for vacation and sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

## **Discretely Presented Smith County School Department**

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. Long-term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities (or proprietary fund type) statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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

In the government-wide financial statements and the proprietary fund in the fund 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.

As of June 30, 2008, Smith County had \$17,090,000 in outstanding debt for capital purposes for the School Department. This debt is a liability of Smith County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Smith County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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. Designations of fund balance represent tentative management plans that are subject to change. The General Fund reflected a designation of \$15,906 for a traffic school on June 30, 2008.

## **7. Prior-period Adjustments**

Closure/postclosure care costs were restated \$1,484,184 due to an increase in the estimated liability reflected on the financial statements of the Solid Waste Disposal Fund.

Capital assets were restated \$895,954 due to changes in the capital assets policy approved by County Commission on March 10, 2008, in the Solid Waste Disposal Fund.

## 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**

#### **Primary Government**

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

#### **Discretely Presented Smith County School Department**

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net 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**

#### **Primary Government**

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

#### **Discretely Presented Smith County School Department**

Exhibit J-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net 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 Public Library, Special Purpose, and Constitutional Officers - Fees Funds (special revenue funds), which are not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances

may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Net Assets/Fund Deficits**

The Solid Waste Disposal Fund had a deficit in unrestricted net assets of \$2,365,794 and a total net assets deficit of \$429,371 at June 30, 2008. This net assets deficit resulted primarily from the recognition of a liability for closure/postclosure care costs.

The Courthouse and Jail Maintenance Fund had a deficit in unreserved fund balance of \$421,439 at June 30, 2008. This deficit resulted from the unperformed portions of construction contracts of \$424,291 being reserved as encumbrances. Funding to liquidate this deficit is expected to be received through future litigation tax collections and other loans.

The Head Start Building Projects Fund had a deficit in unreserved fund balance of \$976 at June 30, 2008. This deficit resulted from the recognition of accounts payable (\$976) at year end. Funding for these expenditures is expected to be received from other loans.

The School Department's Education Capital Projects Fund had a deficit in unreserved fund balance of \$671 at June 30, 2008. This deficit resulted from the unperformed portions of construction projects of \$672 being reserved as encumbrances. Funding for these future expenditures is expected to be received from the General Purpose School Fund.

**C. Prior-year Cash Shortages/Theft/Cash Overdrafts**

The former bookkeeper in the Office of County Mayor 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. On June 30, 2008,

the former bookkeeper was granted pre-trial diversion. Upon completion of the terms of the agreement, including payment of restitution of \$12,247, the former bookkeeper's record will be expunged. The former bookkeeper paid restitution on September 30, 2008.

The Office of County Clerk had a theft of \$819.04 as of June 30, 2008, due to a break-in that had occurred in the office. Details of this break-in are discussed in the Schedule of Findings and Questioned Costs section of this report.

The Constitutional Officers – Agency Fund had a cash overdraft of \$892 at June 30, 2008. This cash overdraft resulted from uncollected bad checks (\$800) held in the Office of County Clerk and bank errors (\$92) in the Office of Register of Deeds at year-end. The overdraft in the Office of County Clerk should be liquidated with funds collected from individuals responsible for the checks. To liquidate the overdraft, the Office of Register of Deeds corrected the errors in September 2008.

**D. Expenditures Exceeded Appropriations**

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

<u>Fund/Category</u>	<u>Amount Overspent</u>
<u>Primary Government</u>	
General:	
County Attorney	\$ 20,718
Courthouse and Jail Maintenance:	
Other Operations - Miscellaneous	344
Capital Projects - Administration of Justice Projects	407,859
Education Debt Service:	
Other Debt Service - Education	606
<u>Discretely Presented School Department</u>	
General Purpose School:	
Instruction:	
Regular Instruction Program	92,013
Special Education Program	10,796
Vocational Education Program	963
School Federal Projects:	
Support Services:	
Adult Programs	1,932

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues or available fund balances.

**E. The County had Deposits that were Exposed to Custodial Credit Risk**

The trustee did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2008, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$91,750. Section 5-8-201, Tennessee Code Annotated, requires any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

**IV. 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 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. Cash and investments reflected on the balance sheets or statements of net assets 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.

**Custodial Credit Risk.** Custodial credit risk is the risk that, in the event of a bank failure, Smith County’s deposits may not be returned to it. Smith County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Smith County and the discretely presented Smith County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2008, uninsured and uncollateralized bank balances of \$91,750 were exposed to custodial credit risk. Uninsured and uncollateralized deposits are a violation of state statutes.

**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, 2008, 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 Office of Clerk and Master.

Investment	Maturities	Fair Value
College Bound Fund	On Demand	\$ 38,327
Money Market Funds	On Demand	6,442
Total		\$ 44,769

**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, 2008, 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 \$44,769 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 (\$90,000) 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 for the year ended June 30, 2008, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 2,039,660	\$ 0	\$ 0	\$ 2,039,660
Construction in Progress	883,031	2,784,195	0	3,667,226
<b>Total Capital Assets</b>				
Not Depreciated	\$ 2,922,691	\$ 2,784,195	\$ 0	\$ 5,706,886

**Governmental Activities (Cont.):**

	Balance			Balance
	7-1-07	Increases	Decreases	6-30-08
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,341,154	\$ 40,000	\$ 0	\$ 2,381,154
Infrastructure	20,201,549	0	0	20,201,549
Other Capital Assets	2,418,394	488,123	(178,948)	2,727,569
<b>Total Capital Assets</b>				
Depreciated	\$ 24,961,097	\$ 528,123	\$ (178,948)	\$ 25,310,272
Less Accumulated				
Depreciation For:				
Buildings and Improvements	\$ 527,566	\$ 47,210	\$ 0	\$ 574,776
Infrastructure	5,646,863	210,239	0	5,857,102
Other Capital Assets	1,293,637	205,255	(159,216)	1,339,676
<b>Total Accumulated</b>				
Depreciation	\$ 7,468,066	\$ 462,704	\$ (159,216)	\$ 7,771,554
<b>Total Capital Assets</b>				
Depreciated, Net	\$ 17,493,031	\$ 65,419	\$ (19,732)	\$ 17,538,718
<b>Governmental Activities</b>				
Capital Assets, Net	\$ 20,415,722	\$ 2,849,614	\$ (19,732)	\$ 23,245,604

**Business-type Activities:**

	Balance	Prior			Balance
	7-1-07	Period	Increases	Decreases	6-30-08
		Adjustment			
Capital Assets Not					
Depreciated:					
Land	\$ 2,033,084	\$ 19,400	\$ 0	\$ 0	\$ 2,052,484
Construction in Progress	939,539	0	250,085	(1,189,624)	0
<b>Total Capital Assets</b>					
Not Depreciated	\$ 2,972,623	\$ 19,400	\$ 250,085	\$ (1,189,624)	\$ 2,052,484
Capital Assets Depreciated:					
Landfill Facilities and					
Development	\$ 1,221,411	\$ (49,967)	\$ 1,141,624	\$ 0	\$ 2,313,068
Buildings and Improvements	0	26,039	48,000	0	74,039
Other Capital Assets	1,420,636	(181,212)	43,000	(10,000)	1,272,424
<b>Total Capital Assets</b>					
Depreciated	\$ 2,642,047	\$ (205,140)	\$ 1,232,624	\$ (10,000)	\$ 3,659,531

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

	Balance 7-1-07	Prior Period Adjustment	Increases	Decreases	Balance 6-30-08
Less Accumulated Depreciation For:					
Landfill Facilities and Development	\$ 1,107,539	\$ (858,910)	\$ 70,394	\$ 0	\$ 319,023
Buildings and Improvements	0	8,946	5,244	0	14,190
Other Capital Assets	898,153	(231,730)	102,156	(10,000)	758,579
Total Accumulated Depreciation	<u>\$ 2,005,692</u>	<u>\$ (1,081,694)</u>	<u>\$ 177,794</u>	<u>\$ (10,000)</u>	<u>\$ 1,091,792</u>
Total Capital Assets Depreciated, Net	<u>\$ 636,355</u>	<u>\$ 876,554</u>	<u>\$ 1,054,830</u>	<u>\$ 0</u>	<u>\$ 2,567,739</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,608,978</u>	<u>\$ 895,954</u>	<u>\$ 1,304,915</u>	<u>\$ (1,189,624)</u>	<u>\$ 4,620,223</u>

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

**Governmental Activities:**

General Government	\$ 22,515
Public Safety	85,834
Public Health and Welfare	82,044
Social, Cultural, and Recreational Services	16,283
Highway/Public Works	<u>256,028</u>

Total Depreciation Expense - Governmental Activities \$ 462,704

**Business-type Activities:**

Solid Waste Disposal	<u>\$ 177,794</u>
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Total Depreciation Expense - Business-type Activities \$ 177,794

**Discretely Presented Smith County School Department**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,226,738	\$ 0	\$ 0	\$ 1,226,738
Construction in Progress	66,758	0	(66,758)	0
Total Capital Assets Not Depreciated	<u>\$ 1,293,496</u>	<u>\$ 0</u>	<u>\$ (66,758)</u>	<u>\$ 1,226,738</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 37,221,667	\$ 1,665,381	\$ 0	\$ 38,887,048
Infrastructure	129,000	0	0	129,000
Other Capital Assets	2,092,534	148,636	(88,291)	2,152,879
Total Capital Assets Depreciated	<u>\$ 39,443,201</u>	<u>\$ 1,814,017</u>	<u>\$ (88,291)</u>	<u>\$ 41,168,927</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 6,118,258	\$ 835,992	\$ 0	\$ 6,954,250
Infrastructure	13,169	3,225	0	16,394
Other Capital Assets	881,671	142,533	(81,036)	943,168
Total Accumulated Depreciation	<u>\$ 7,013,098</u>	<u>\$ 981,750</u>	<u>\$ (81,036)</u>	<u>\$ 7,913,812</u>
Total Capital Assets Depreciated, Net	<u>\$ 32,430,103</u>	<u>\$ 832,267</u>	<u>\$ (7,255)</u>	<u>\$ 33,255,115</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,723,599</u>	<u>\$ 832,267</u>	<u>\$ (74,013)</u>	<u>\$ 34,481,853</u>

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

Governmental Activities:

Instruction	<u>\$ 981,750</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 981,750</u>

**D. Construction Commitments**

At June 30, 2008, the Courthouse and Jail Maintenance Fund had uncompleted construction contracts of approximately \$424,291 for the construction of a jail. Funding for these future expenditures is expected to be received through future litigation tax collections and other loans.

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

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 30,000
Nonmajor governmental	General Debt Service	21,404
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	33,672
Nonmajor governmental	General Purpose School	46,430

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, 2008, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
General Fund	\$ 33,000
General Capital Projects Fund	40,000
Solid Waste Disposal Fund	396,000
Total	<u>\$ 469,000</u>

**Discretely Presented Smith County School Department**

Transfers Out	Transfers In	
	General Purpose School Fund	Nonmajor Governmental Funds
General Purpose School Fund	\$ 0	\$ 1,421,430
Nonmajor governmental funds	49,349	0
<b>Total</b>	<b>\$ 49,349</b>	<b>\$ 1,421,430</b>

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 4.45 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.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 181,385
2010	127,534
Total Minimum Lease Payments	\$ 308,919
Less: Amount Representing Interest	<u>(20,056)</u>
Present Value of Minimum Lease Payments	<u>\$ 288,863</u>

**G. Long-term Debt**

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 other loans 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 other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2008, will be retired from the General Debt Service, Education Debt Service, Highway/Public Works, and Courthouse and Jail Maintenance funds.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	3 to 5.5 %	\$ 23,247,200	\$ 4,598,502
General Obligation Bonds - Refunding	5	12,800,000	12,800,000
Capital Outlay Notes	3.65 to 4.4	2,560,043	2,254,375
Other Loans	Variable	2,158,164	1,967,114
Capital Leases	4.35 to 5.71	624,951	288,863

In prior years, Smith County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement,

the authority loaned \$1,250,000 to Smith County for the construction of a senior/career center and an agriculture center. 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, and debt remarketing) in connection with this loan. At June 30, 2008, the variable interest rate was 1.54 percent and other fees totaled approximately .25 percent (letter of credit), .08 percent (remarketing), and a trustee fee of \$85 per month.

During the current year, Smith County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority will make available \$1,378,600 and \$10,000,000 to Smith County on an as-needed basis for construction of a head start facility and a jail facility. At June 30, 2008, the county had borrowed \$704,391 of the \$1,378,600 loan and \$203,773 of the \$10,000,000 loan. These loans are repayable at interest rates that are tax-exempt variable rates 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, and debt remarketing) in connection with these loans. At June 30, 2008, the variable interest rate was 1.54 percent on the \$1,378,600 loan and 1.52 percent on the \$10,000,000 loan; and other fees based on the outstanding loan principal totaled approximately .25 percent on the \$1,378,600 loan and .27 percent on the \$10,000,000 loan (letter of credit); .16 percent on the \$1,378,600 loan and 11.43 percent on the \$10,000,000 (remarketing); and \$85 per month per loan (trustee).

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following tables:

	Notes		
	Principal	Interest	Total
2009	\$ 396,062	\$ 89,358	\$ 485,420
2010	373,194	76,356	449,550
2011	283,275	57,435	340,710
2012	211,723	46,740	258,463
2013	211,722	38,144	249,866
2014-2018	646,169	99,502	745,671
2019-2020	132,230	6,078	138,308
Total	\$ 2,254,375	\$ 413,613	\$ 2,667,988

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2009	\$ 96,800	\$ 29,663	\$ 17,605	\$ 144,068
2010	99,990	28,196	17,251	145,437
2011	307,063	26,682	16,883	350,628
2012	107,700	22,164	7,295	137,159
2013	111,240	20,533	6,900	138,673
2014-2018	622,870	76,055	28,006	726,931
2019-2023	467,451	30,425	13,894	511,770
2024-2025	154,000	3,515	2,720	160,235
Total	<u>\$ 1,967,114</u>	<u>\$ 237,233</u>	<u>\$ 110,554</u>	<u>\$ 2,314,901</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2014-2018	6,873,969	2,362,896	9,236,865
2019-2023	4,971,157	562,458	5,533,615
2024-2028	45,134	52,481	97,615
2029-2033	56,344	41,270	97,614
2034-2038	70,342	27,273	97,615
2039-2043	48,348	10,064	58,412
Total	<u>\$ 17,398,502</u>	<u>\$ 6,858,237</u>	<u>\$ 24,256,739</u>

There is \$440,356 available in the General Debt Service Fund and \$1,159,472 in the Education Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$985, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,240, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities

	Bonds	Notes	Other Loans
Balance, July 1, 2007	\$ 18,356,051	\$ 2,248,726	\$ 898,097
Additions	0	674,878	1,161,067
Deductions	(957,549)	(669,229)	(92,050)
Balance, June 30, 2008	<u>\$ 17,398,502</u>	<u>\$ 2,254,375</u>	<u>\$ 1,967,114</u>
Balance Due Within One Year	<u>\$ 989,240</u>	<u>\$ 396,062</u>	<u>\$ 96,800</u>

	Capital Leases	Compensated Absences
Balance, July 1, 2007	\$ 456,373	\$ 22,657
Additions	0	16,917
Deductions	(167,510)	(10,614)
Balance, June 30, 2008	<u>\$ 288,863</u>	<u>\$ 28,960</u>
Balance Due Within One Year	<u>\$ 167,345</u>	<u>\$ 5,792</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 21,937,814
Less: Due Within One Year	<u>(1,655,239)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 20,282,575</u>

Compensated absences will be paid from the employing funds, primarily the General Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste Disposal Fund.

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, 2008, 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 other loans outstanding as of June 30, 2008, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 77,778	\$ 27,833	\$ 105,611
2010	77,778	24,559	102,337
2011	77,778	21,284	99,062
2012	77,778	18,009	95,787
2013	77,778	14,735	92,513
2014-2017	311,110	26,195	337,305
Total	<u>\$ 700,000</u>	<u>\$ 132,615</u>	<u>\$ 832,615</u>

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2009	\$ 22,443	\$ 83,873	\$ 106,316
2010	23,420	82,900	106,320
2011	24,435	81,885	106,320
2012	25,494	80,826	106,320
2013	26,599	79,721	106,320
2014-2018	151,317	380,284	531,601
2019-2023	187,073	344,527	531,600
2024-2028	231,280	300,320	531,600
2029-2033	285,930	245,670	531,600
2034-2038	353,497	178,103	531,600
2039-2043	639,505	104,735	744,240
2044-2046	12,807	58	12,865
Total	<u>\$ 1,983,800</u>	<u>\$ 1,962,902</u>	<u>\$ 3,946,702</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2008, was as follows:

Business-type Activities:

	Notes	Other Loans	Closure/ Postclosure Care Costs
Balance, July 1, 2007	\$ 186,528	\$ 1,721,900	\$ 1,463,602
Additions	700,000	278,100	1,552,655
Deductions	(186,528)	(16,200)	0
Balance, June 30, 2008	<u>\$ 700,000</u>	<u>\$ 1,983,800</u>	<u>\$ 3,016,257</u>
Balance Due Within One Year	<u>\$ 77,778</u>	<u>\$ 22,443</u>	<u>\$ 11,675</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 5,700,057
Less: Due Within One Year	<u>(111,896)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,588,161</u>

Debt per capita of the enterprise fund, including notes and other loans, totaled \$152, based on the 2000 federal census.

**Discretely Presented Smith County School Department**

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Smith County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	<u>Compensated Absences</u>
Balance, July 1, 2007	\$ 32,301
Additions	45,033
Deductions	<u>(30,523)</u>
Balance, June 30, 2008	<u>\$ 46,811</u>
Balance Due Within One Year	<u>\$ 11,703</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 46,811
Less: Due Within One Year	<u>(11,703)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 35,108</u>

**H. Long-term -Behalf Payments – Discretely Presented Smith County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Smith County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$62,576 and \$17,600, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

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.

### **Discretely Presented Smith County School Department**

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 participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays annual premiums to the TN-RMT for its workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, Tennessee Code Annotated (TCA), all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

### **B. Accounting Changes**

At the beginning of the year, Smith County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, Smith County had elected only to implement the provisions of Statement No. 34 that related to the fund financial statements. Also, provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and

Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the county's financial statements. GASB Statement No. 45 had no effect on the financial statements of Smith County and the discretely presented Smith County School Department for the year ended June 30, 2008, since the county and the School Department do not currently provide any postemployment benefits to its employees. However, it is reasonably expected that Smith County and the School Department may provide OPEB benefits in subsequent years.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Smith County. GASB Statement No. 48 had no effect on the financial statements of Smith County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Smith County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Smith County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. Subsequent Events**

On December 29, 2008, Smith County executed a capital lease for \$228,650 to purchase a compactor for the Solid Waste Disposal Fund.

On February 4, 2009, a \$134,409 capital outlay note was issued for the General Fund to purchase patrol cars for the Sheriff's Department.

On March 9, 2009, the Smith County Commission authorized a loan totaling \$1,250,000 to purchase pumper fire trucks.

On May 6, 2009, a \$72,000 capital outlay note was issued for the Ambulance Service Fund to purchase an ambulance remount.

**D. Contingent Liabilities**

The county is involved in several 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.

**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 \$3,016,257 reported as landfill closure and postclosure care liability at June 30, 2008, represents the net amount reported to date. Actual costs may be higher 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, 2008, 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 2007-08 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 [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

### **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, 2008, was 6.48 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, 2008, Smith County's annual pension cost of \$378,903 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 postretirement 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, 2007, which established contribution rates effective July 1, 2008.

### **Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$378,903	100%	\$0
6-30-07	347,449	100	0
6-30-06	274,986	100	0

## **Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 92.94 percent funded. The actuarial accrued liability for benefits was \$11.53 million, and the actuarial value of assets was \$10.71 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.82 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.28 million, and the ratio of the UAAL to the covered payroll was 15.4 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## **School Teachers**

### **Plan Description**

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

CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

### **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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$683,663, \$620,747, and \$533,474, respectively, equal to the required contributions for each year.

## **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 \$10,000 (except for emergency purchases) to be made after public advertisement and solicitation of competitive bids.

### **Office of Road Commissioner**

Purchasing procedures for the Highway Department are 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.

### **Office of Director of Schools**

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

VI. **OTHER NOTES – SMITH COUNTY LIBRARY SYSTEM (SPECIAL REVENUE FUND)**

A. **Summary of Significant Accounting Policies**

The Smith County Library System – Smith County Library Board Funds (board) is a part of the Smith County Library System, which is a department of Smith County, Tennessee. Smith County, Tennessee, has allowed the Smith County Library System – Smith County Library Board Funds to have authority over certain funds, primarily funds donated to the Library Board and earned from various fines and fees. The audit of the Smith County Library System – Smith County Library Board Funds presented here is only for those funds mentioned in the following paragraph. The Smith County Library System – Smith County Library Board Funds does not contain any of the capital assets of the Smith County Library System. Books purchased by the Smith County Library System – Smith County Library Board Funds become the property of Smith County, Tennessee. Additionally, Smith County, Tennessee, provides for certain insurance and occupancy costs of the Smith County Library System.

The Smith County Library Board Funds is comprised of a certificate of deposit (Memorial Trust), Children’s Fund, Operating account, Carthage Book funds, Gordonsville Book funds and a Construction account, which was closed during the year.

1. **Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity requires that financial statements present the reporting entity, which consists of the primary government and any component unit organizations for which the primary government is financially accountable and any other component unit organizations for which the nature and significance of their relationship with the primary government are such that an exclusion could cause the board’s financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement No. 14.

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

Governmental fund revenues 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 collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting.

3. **Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of deposit accounts, certificates of deposit with original maturities three months or less. When both restricted and unrestricted resources are available for use, it is the board's policy to use restricted resources first, then unrestricted resources as they are needed. There are no endowment funds.

4. **Fund Equity**

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

5. **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

6. **Deferred Revenue**

Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to resources, the deferred revenue is removed from the statement of net assets and revenue is recognized. There was no deferred revenue at year end.

7. **Budgets and Budgetary Accounting**

The Smith County Library System – Smith County Library Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by board vote on an annual basis. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The budget amounts are not shown in the financial statements as these amounts were not approved by the County Commission, which is required by Tennessee Code Annotated,

and as such the library does not have a legally adopted budget. The board does approve an annual budget.

**B. Cash and Cash Equivalents**

The board is authorized to invest funds in financial institution demand deposit accounts and certificates of deposit. During the year, the board invested funds that were not immediately needed in certificates of deposits and savings accounts. The board has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by state statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the board and must total a minimum 105 percent of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The board's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

**C. Risk Management**

The activities of the Smith County Library System are covered under the insurance policies of Smith County, Tennessee. The Smith County Library System – Smith County Library Board Funds does not carry insurance for their activities. Based on discussion with board's management, additional insurance coverage is not carried given their limited activities.

**VII. OTHER NOTES – DISCRETELY PRESENTED SMITH COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Significant Accounting Policies**

**1. Reporting Entity**

The Smith County E-911 Emergency Communications District was established to provide an enhanced level of 911 services to Smith County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of addresses and information. It is a component unit of Smith County. The Smith County E-911 Emergency Communications District is run by a board of directors, which is appointed by Smith County. The district must file a budget with Smith County each year. Any bond issued by the district is subject to approval by Smith County.

**2. Basis of Accounting**

The district uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the board has elected not to apply, to its proprietary activities, Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

**3. Depreciation**

Depreciation is computed at rates designed to amortize the cost of the individual assets over their useful lives. Depreciation begins when the capital assets are placed in service. Depreciation is summarized as follows:

	<u>Method</u>	<u>Estimated Useful Life</u>	<u>2008 Depreciation</u>
Communications Equipment	S/L	5 - 12 years	\$ 25,124
Vehicles	S/L	5 - 10 years	6,250
Office Equipment	S/L	5 - 15 years	<u>5,784</u>
Total Depreciation			<u>\$ 37,158</u>

**4. Major Source of Revenue**

The major source of operating revenue is emergency telephone and wireless surcharges. Non-operating revenue consists of interest income, a contract with UC EMC to answer after-hours phone calls, and Insurance Reimbursements.

**B. Cash and Cash Investments**

The following is a schedule of bank accounts at June 30, 2008:

Checking - Citizens Bank	\$ 163,748
Money Market - Citizens Bank	38,997
Certificate of Deposit - Citizens Bank	<u>30,000</u>
 Total Cash	 <u><u>\$ 232,745</u></u>

At June 30, 2008, the carrying amount of the Smith County E-911 Emergency Communications District's cash deposits was \$232,745. The district's deposit accounts are covered up to \$100,000 by the Federal Deposit Insurance Corporation. Any amounts over \$100,000 are covered under the State of Tennessee Government Collateralization Pool of which Citizens Bank is a member. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, section 10].

**C. Bonding**

Smith County E-911 Emergency Communications District has a bond covering certain members of the board at June 30, 2008. The district also has a general liability policy which covers building and contents. There have been no losses or settlements that have exceeded coverage during the past three years.

**D. Capital Assets**

The following is a schedule of equipment at June 30, 2008:

	Balance 7-1-07	Additions	Retirements	Balance 6-30-08
Business-type Activities:				
Capital Assets				
Depreciated:				
Communication Equipment	\$ 268,998	\$ 15,926	\$ 0	\$ 284,924
Vehicles	32,464	0	(3,650)	28,814
Office Equipment	33,848	1,030	0	34,878
Total Capital Assets				
Depreciated	<u>\$ 335,310</u>	<u>\$ 16,956</u>	<u>\$ (3,650)</u>	<u>\$ 348,616</u>
Less Accumulated				
Depreciation For:				
Communication Equipment	\$ 146,178	\$ 25,125	\$ 0	\$ 171,303
Vehicles	3,685	6,249	(2,250)	7,684
Office Equipment	20,268	5,783	0	26,051
Total Accumulated				
Depreciation	<u>\$ 170,131</u>	<u>\$ 37,157</u>	<u>\$ (2,250)</u>	<u>\$ 205,038</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 165,179</u>	<u>\$ (20,201)</u>	<u>\$ (1,400)</u>	<u>\$ 143,578</u>

**E. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

**F. Accounts Receivable/Due from State Emergency Communications Board**

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

North Central Telephone Co-op	\$	2,170
UCEMC Contract		5,487
AT&T Telephone Co-op		3,512
Freedom Communications		<u>4</u>
Subtotal	\$	11,173
State Emergency Communications Board		<u>7,128</u>
Total	\$	<u><u>18,301</u></u>

**G. Compensated Absences**

There were no employees at June 30, 2008.

**H. Invested in Capital Assets**

Total Non-current Assets	\$	143,578
Equipment Purchase in A/P		<u>0</u>
Invested in Capital Assets	\$	<u><u>143,578</u></u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,437,304	\$ 0	\$ 0	\$ 3,437,304	\$ 3,361,172	\$ 3,361,172	\$ 76,132
Licenses and Permits	87,215	0	0	87,215	84,500	84,500	2,715
Fines, Forfeitures, and Penalties	44,200	0	0	44,200	40,500	40,500	3,700
Charges for Current Services	55,302	0	0	55,302	50,500	50,500	4,802
Other Local Revenues	420,304	0	0	420,304	343,361	350,648	69,656
Fees Received from County Officials	914,502	0	0	914,502	845,000	845,000	69,502
State of Tennessee	742,504	0	0	742,504	517,561	570,572	171,932
Federal Government	46,387	0	0	46,387	15,000	21,738	24,649
Other Governments and Citizens Groups	69,370	0	0	69,370	66,800	69,100	270
Total Revenues	\$ 5,817,088	\$ 0	\$ 0	\$ 5,817,088	\$ 5,324,394	\$ 5,393,730	\$ 423,358
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 35,192	\$ (200)	\$ 0	\$ 34,992	\$ 32,344	\$ 37,844	\$ 2,852
Board of Equalization	2,100	0	0	2,100	2,100	2,100	0
County Mayor/Executive	170,105	(54)	65	170,116	175,069	175,069	4,953
County Attorney	50,718	0	0	50,718	15,000	30,000	(20,718)
Election Commission	126,311	(945)	1,659	127,025	141,167	142,940	15,915
Register of Deeds	137,019	(2,565)	350	134,804	141,945	141,945	7,141
Planning	12,075	0	0	12,075	13,000	13,000	925
Codes Compliance	87,888	(6,464)	689	82,113	87,520	87,520	5,407
County Buildings	331,039	(6,134)	679	325,584	339,629	353,370	27,786
<u>Finance</u>							
Property Assessor's Office	141,644	(2,447)	0	139,197	149,517	151,078	11,881
Reappraisal Program	17,505	0	0	17,505	20,193	20,193	2,688

Exhibit F-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 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Trustee's Office	\$ 130,886	\$ (699)	0	\$ 130,187	\$ 131,392	\$ 131,392	\$ 1,205
County Clerk's Office	197,383	(766)	44	196,661	198,284	199,374	2,713
<u>Administration of Justice</u>							
Circuit Court	240,465	(1,074)	325	239,716	248,361	248,361	8,645
General Sessions Judge	93,707	0	183	93,890	99,551	97,398	3,508
Chancery Court	99,914	(236)	0	99,678	106,604	106,604	6,926
Juvenile Court	0	0	0	0	1,000	1,000	1,000
Judicial Commissioners	19,785	(21)	0	19,764	18,212	20,365	601
Other Administration of Justice	1,925	0	0	1,925	3,000	3,000	1,075
<u>Public Safety</u>							
Sheriff's Department	1,588,183	(11,583)	7,044	1,583,644	1,570,879	1,639,791	56,147
Traffic Control	980	0	0	980	1,000	1,000	20
Jail	309,958	(15,558)	6,955	301,355	314,199	310,484	9,129
Correctional Incentive Program Improvements	376,961	0	0	376,961	423,520	388,690	11,729
Juvenile Services	30,493	(224)	0	30,269	32,132	32,132	1,863
Fire Prevention and Control	153,472	(708)	0	152,764	220,621	222,921	70,157
Civil Defense	30,963	(267)	0	30,696	28,400	31,768	1,072
Other Emergency Management	26,208	0	115	26,323	24,748	27,748	1,425
Inspection and Regulation	2,584	0	0	2,584	2,584	2,584	0
County Coroner/Medical Examiner	29,620	0	0	29,620	25,000	32,000	2,380
Other Public Safety	184,382	0	0	184,382	173,851	184,471	89
<u>Public Health and Welfare</u>							
Local Health Center	25,310	(690)	100	24,720	20,996	27,882	3,162
Other Local Health Services	7,657	0	0	7,657	7,657	7,657	0

(Continued)

Exhibit F-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 7/1/2007	Add: Encumbrances 6/30/2008	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>							
Appropriation to State	\$ 6,886	\$ 0	\$ 0	\$ 6,886	\$ 13,772	\$ 6,886	\$ 0
Aid to Dependent Children	0	0	1,492	1,492	1,500	1,500	8
Other Local Welfare Services	5,000	0	0	5,000	5,000	5,000	0
Waste Pickup	27,213	(2,175)	1,090	26,128	29,237	29,237	3,109
Other Public Health and Welfare	16,218	0	4,222	20,440	5,500	21,289	849
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	4,030	0	0	4,030	4,616	4,616	586
Senior Citizens Assistance	42,991	(38)	0	42,953	41,515	45,115	2,162
Libraries	68,440	0	0	68,440	64,065	69,365	925
Parks and Fair Boards	57,345	(1,420)	0	55,925	53,600	57,600	1,675
Other Social, Cultural, and Recreational	14,145	(895)	560	13,810	15,500	15,500	1,690
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	58,576	0	0	58,576	58,818	58,818	242
Soil Conservation	11,000	0	0	11,000	11,000	11,000	0
<u>Other Operations</u>							
Tourism	554	0	0	554	2,300	2,300	1,746
Industrial Development	1,739	0	0	1,739	6,361	7,361	5,622
Other Economic and Community Development	32,867	0	0	32,867	32,867	32,867	0
Veterans' Services	11,313	0	87	11,400	11,499	12,279	879
Other Charges	178,330	0	0	178,330	178,326	180,299	1,969
Employee Benefits	36,379	0	0	36,379	36,691	37,074	695
Miscellaneous	172,919	(52)	20	172,887	245,295	251,698	78,811
<u>Highways</u>							
Capital Outlay	350,224	0	0	350,224	0	350,224	0

(Continued)

Exhibit F-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 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Principal on Debt</u>							
General Government	\$ 93,267	\$ 0	\$ 0	\$ 93,267	\$ 0	\$ 93,267	\$ 0
Interest on Debt	12,450	0	0	12,450	0	12,450	0
General Government	\$ 5,864,318	\$ (55,215)	\$ 25,679	\$ 5,834,782	\$ 5,586,937	\$ 6,177,426	\$ 342,644
Total Expenditures	\$ (47,230)	\$ 55,215	\$ (25,679)	\$ (17,694)	\$ (262,543)	\$ (783,696)	\$ 766,002
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>							
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 350,224	\$ 0	\$ 0	\$ 350,224	\$ 0	\$ 350,224	\$ 0
Insurance Recovery	10,405	0	0	10,405	0	10,370	35
Transfers Out	(33,000)	0	0	(33,000)	(123,859)	(79,289)	46,289
Total Other Financing Sources (Uses)	\$ 327,629	\$ 0	\$ 0	\$ 327,629	\$ (123,859)	\$ 281,305	\$ 46,324
Net Change in Fund Balance	\$ 280,399	\$ 55,215	\$ (25,679)	\$ 309,935	\$ (386,402)	\$ (502,391)	\$ 812,326
Fund Balance, July 1, 2007	1,323,965	(55,215)	0	1,268,750	1,262,407	1,262,407	6,343
Fund Balance, June 30, 2008	\$ 1,604,364	\$ 0	\$ (25,679)	\$ 1,578,685	\$ 876,005	\$ 760,016	\$ 818,669

Exhibit F-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 265,617	\$ 234,878	\$ 234,878	\$ 30,739
Other Local Revenues	63,083	36,000	83,135	(20,052)
State of Tennessee	1,813,771	2,002,115	2,132,115	(318,344)
Total Revenues	<u>\$ 2,142,471</u>	<u>\$ 2,272,993</u>	<u>\$ 2,450,128</u>	<u>\$ (307,657)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 159,157	\$ 156,788	\$ 164,920	\$ 5,763
Highway and Bridge Maintenance	771,197	1,008,149	1,087,935	316,738
Operation and Maintenance of Equipment	291,538	246,725	323,608	32,070
Other Charges	66,061	84,972	87,792	21,731
Employee Benefits	336,869	316,441	340,341	3,472
Capital Outlay	400,693	685,914	688,004	287,311
<u>Principal on Debt</u>				
Highways and Streets	57,817	74,574	58,008	191
<u>Interest on Debt</u>				
Highways and Streets	7,697	8,800	8,890	1,193
Total Expenditures	<u>\$ 2,091,029</u>	<u>\$ 2,582,363</u>	<u>\$ 2,759,498</u>	<u>\$ 668,469</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 51,442</u>	<u>\$ (309,370)</u>	<u>\$ (309,370)</u>	<u>\$ 360,812</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 2,000	\$ 2,000	\$ (2,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ (2,000)</u>
Net Change in Fund Balance	\$ 51,442	\$ (307,370)	\$ (307,370)	\$ 358,812
Fund Balance, July 1, 2007	<u>313,813</u>	<u>307,370</u>	<u>307,370</u>	<u>6,443</u>
Fund Balance, June 30, 2008	<u>\$ 365,255</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 365,255</u>

Exhibit F-3

Smith County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 10,716	\$ 11,530	\$ 814	92.94 %	\$ 5,287	15.40 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

**SMITH COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2008**

**A. BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the County Attorney major appropriation category (the legal level of control) of the General Fund by \$20,718. This overexpenditure is a violation of state statute and was funded from available fund balance.

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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.

Public Library Fund – The Public Library Fund is used to account for revenues received at the library from donations, fines, and fees. This fund was audited by other auditors and the amounts reflected in the financial statements of this report were taken from the published report of the other auditors.

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.

Special Purpose Fund – The Special Purpose Fund is used to account for transactions of the Smith County Fair.

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

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

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

Head Start Building Projects Fund – The Head Start Building Projects Fund is used to account for capital expenditures for the construction of a head start facility.

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.

Exhibit G-1

Smith County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2008

	Special Revenue Funds							Total
	Courthouse and Jail Maintenance	Public Library	Solid Waste/ Sanitation	Ambulance Service	Special Purpose	Drug Control		
Cash	\$ 0	\$ 46,134	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,134
Equity in Pooled Cash and Investments	279,170	0	5,491	124,993	51,254	37,521	0	498,429
Accounts Receivable	0	0	0	923,850	1,600	0	0	925,450
Allowance for Uncollectibles	0	0	0	(579,053)	0	0	0	(579,053)
Due from Other Governments	0	0	14,000	0	0	0	0	14,000
Due from Other Funds	21,404	0	0	0	0	0	0	21,404
Total Assets	\$ 300,574	\$ 46,134	\$ 19,491	\$ 469,790	\$ 52,854	\$ 37,521	\$ 0	\$ 926,364

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities								
Accounts Payable	\$ 24,061	\$ 1,051	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,112
Payroll Deductions Payable	0	0	278	1,909	0	0	0	2,187
Due to Other Funds	0	0	0	0	30,000	0	0	30,000
Other Deferred Revenues	0	0	14,000	252,975	0	0	0	266,975
Total Liabilities	\$ 24,061	\$ 1,051	\$ 14,278	\$ 254,884	\$ 30,000	\$ 0	\$ 0	\$ 324,274
Fund Balances								
Reserved for Encumbrances	\$ 424,291	\$ 0	\$ 1,950	\$ 3,524	\$ 0	\$ 0	\$ 0	\$ 429,765
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	273,661	0	0	0	0	0	0	273,661
Unreserved (Deficit)	(421,439)	45,083	3,263	211,382	22,854	37,521	(101,336)	(101,336)
Total Fund Balances	\$ 276,513	\$ 45,083	\$ 5,213	\$ 214,906	\$ 22,854	\$ 37,521	\$ 0	\$ 602,090
Total Liabilities and Fund Balances	\$ 300,574	\$ 46,134	\$ 19,491	\$ 469,790	\$ 52,854	\$ 37,521	\$ 0	\$ 926,364

(Continued)

Exhibit G-1

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

	Capital Projects Funds						Total Nonmajor Governmental Funds
	Community Projects	Head Start Building Projects	HUD Grant Projects	Other Capital Projects	Total		
\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	46,134
	201	0	2,500	14,593	17,294	0	515,723
	0	0	0	0	0	0	925,450
	0	0	0	0	0	0	(579,053)
	0	0	0	0	0	0	14,000
	0	0	0	0	0	0	21,404
\$	201 \$	0 \$	2,500 \$	14,593 \$	17,294 \$	0 \$	943,658

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable  
 Allowance for Uncollectibles  
 Due from Other Governments  
 Due from Other Funds

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable  
 Payroll Deductions Payable  
 Due to Other Funds  
 Other Deferred Revenues

Total Liabilities

Fund Balances

Reserved for Encumbrances  
 Reserved for Litigation Tax - Jail, Workhouse, or Courthouse  
 Unreserved (Deficit)

Total Fund Balances

Total Liabilities and Fund Balances

\$	0 \$	976 \$	0 \$	0 \$	0 \$	976 \$	26,088
	0	0	0	0	0	0	2,187
	0	0	0	0	0	0	30,000
	0	0	0	0	0	0	266,975
\$	0 \$	976 \$	0 \$	0 \$	0 \$	976 \$	325,250
\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	429,765
	0	0	0	0	0	0	273,661
	201	(976)	2,500	14,593	16,318	(85,018)	
\$	201 \$	(976) \$	2,500 \$	14,593 \$	16,318 \$	16,318 \$	618,408
\$	201 \$	0 \$	2,500 \$	14,593 \$	17,294 \$	0 \$	943,658

Exhibit G-2

Smith County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2008

	Special Revenue Funds							Total
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control	Constitu- tional Officers - Fees	
<u>Revenues</u>								
Local Taxes	\$ 160,926	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 160,926
Fines, Forfeitures, and Penalties	473	0	0	0	0	11,558	0	12,031
Charges for Current Services	0	16,722	0	865,290	21,225	0	21,058	924,295
Other Local Revenues	200	4,217	7,342	3,323	1,636	37	0	16,755
State of Tennessee	0	8,353	0	2,000	0	0	0	10,353
Federal Government	0	0	0	0	0	0	0	0
Other Governments and Citizens Groups	0	75,815	0	0	0	0	0	75,815
<u>Total Revenues</u>	\$ 161,599	\$ 105,107	\$ 7,342	\$ 870,613	\$ 22,861	\$ 11,595	\$ 21,058	\$ 1,200,175
<u>Expenditures</u>								
Current:								
General Government	\$ 24,459	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,459
Administration of Justice	0	0	0	0	0	0	21,058	21,058
Public Safety	0	0	0	0	0	1,667	0	1,667
Public Health and Welfare	0	0	332,487	972,175	0	0	0	1,304,662
Social, Cultural, and Recreational Services	0	113,398	0	0	0	0	0	113,398
Other Operations	1,344	0	519	0	7	0	0	1,870
Debt Service:								
Principal on Debt	20,114	0	66,426	0	0	0	0	86,540
Interest on Debt	9,599	0	9,242	0	0	0	0	18,841
Other Debt Service	74,686	0	0	0	0	0	0	74,686
Capital Projects	839,007	0	0	0	0	0	0	839,007
<u>Total Expenditures</u>	\$ 969,209	\$ 113,398	\$ 408,674	\$ 972,175	\$ 7	\$ 1,667	\$ 21,058	\$ 2,486,188
Excess (Deficiency) of Revenues Over Expenditures	\$ (807,610)	\$ (8,291)	\$ (401,332)	\$ (101,562)	\$ 22,854	\$ 9,928	\$ 0	\$ (1,286,013)

(Continued)

Exhibit G-2

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

	Special Revenue Funds							Total
	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control	Constitu- tional Officers - Fees	
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 64,654	\$ 0	\$ 0	\$ 0	\$ 64,654
Other Loans Issued	877,959	0	0	0	0	0	0	877,959
Insurance Recovery	0	0	0	48	0	0	0	48
Transfers In	0	0	396,000	33,000	0	0	0	429,000
Total Other Financing Sources (Uses)	\$ 877,959	\$ 0	\$ 396,000	\$ 97,702	\$ 0	\$ 0	\$ 0	\$ 1,371,661
Net Change in Fund Balances	\$ 70,349	\$ (8,291)	\$ (5,332)	\$ (3,860)	\$ 22,854	\$ 9,928	\$ 0	\$ 85,648
Fund Balance, July 1, 2007	206,164	53,374	10,545	218,766	0	27,593	0	516,442
Fund Balance, June 30, 2008	\$ 276,513	\$ 45,083	\$ 5,213	\$ 214,906	\$ 22,854	\$ 37,521	\$ 0	\$ 602,090

(Continued)

Exhibit G-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
	Community Projects	Head Start Building Projects	HUD Grant Projects	Other Capital Projects	Total		
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 160,926
Fines, Forfeitures, and Penalties	0	0	0	0	0	0	12,031
Charges for Current Services	0	0	0	0	0	0	924,295
Other Local Revenues	200	0	0	69,810	70,010	0	86,765
State of Tennessee	0	0	0	33,334	33,334	0	43,687
Federal Government	40,000	0	0	0	40,000	0	40,000
Other Governments and Citizens Groups	0	0	0	0	0	0	75,815
Total Revenues	\$ 40,200	\$ 0	\$ 0	\$ 103,144	\$ 143,344	\$ 0	\$ 1,343,519
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,459
Administration of Justice	0	0	0	0	0	0	21,058
Public Safety	0	0	0	0	0	0	1,667
Public Health and Welfare	0	0	0	0	0	0	1,304,662
Social, Cultural, and Recreational Services	0	0	0	0	0	0	113,398
Other Operations	39,999	0	0	0	39,999	0	41,869
Debt Service:							
Principal on Debt	0	0	0	0	0	0	86,540
Interest on Debt	0	0	0	0	0	0	18,841
Other Debt Service	0	4,963	0	0	4,963	0	79,649
Capital Projects	0	26,218	0	273,276	299,494	1,138,501	
Total Expenditures	\$ 39,999	\$ 31,181	\$ 0	\$ 273,276	\$ 344,456	\$ 2,830,644	
Excess (Deficiency) of Revenues Over Expenditures	\$ 201	\$ (31,181)	\$ 0	\$ (170,132)	\$ (201,112)	\$ (1,487,125)	

(Continued)

Exhibit G-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
	Community Projects	Head Start Building Projects	HUD Grant Projects	Other Capital Projects	Total		
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,654
Other Loans Issued	0	30,205	0	252,903	283,108	1,161,067	
Insurance Recovery	0	0	0	5,210	5,210	5,258	
Transfers In	0	0	0	40,000	40,000	469,000	
Total Other Financing Sources (Uses)	\$ 0	\$ 30,205	\$ 0	\$ 298,113	\$ 328,318	\$ 1,699,979	
Net Change in Fund Balances	\$ 201	\$ (976)	\$ 0	\$ 127,981	\$ 127,206	\$ 212,854	
Fund Balance, July 1, 2007	0	0	2,500	(113,388)	(110,888)	405,554	
Fund Balance, June 30, 2008	\$ 201	\$ (976)	\$ 2,500	\$ 14,593	\$ 16,318	\$ 618,408	

Exhibit G-3

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Courthouse and Jail Maintenance Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive Negative
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 160,926 \$	0 \$	0 \$	160,926 \$	79,500 \$	79,500 \$	81,426
Fines, Forfeitures, and Penalties	473	0	0	473	400	400	73
Other Local Revenues	200	0	0	200	0	0	200
Total Revenues	\$ 161,599 \$	0 \$	0 \$	161,599 \$	79,900 \$	79,900 \$	81,699
<u>Expenditures</u>							
<u>General Government</u>							
County Buildings	\$ 24,459 \$	(1,750) \$	0 \$	22,709 \$	72,200 \$	57,200 \$	34,491
Other Operations	1,344	0	0	1,344	1,000	1,000	(344)
Miscellaneous							
Principal on Debt	20,114	0	0	20,114	75,000	75,000	54,886
General Government							
Interest on Debt							
General Government	9,599	0	0	9,599	34,000	34,000	24,401
Other Debt Service							
General Government	74,686	0	0	74,686	0	74,686	0
Capital Projects							
Administration of Justice Projects	839,007	0	424,291	1,263,298	0	855,439	(407,859)
Total Expenditures	\$ 969,209 \$	(1,750) \$	424,291 \$	1,391,750 \$	182,200 \$	1,097,325 \$	(294,425)
<u>Excess (Deficiency) of Revenues Over Expenditures</u>							
	\$ (807,610) \$	1,750 \$	(424,291) \$	(1,230,151) \$	(102,300) \$	(1,017,425) \$	(212,726)
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 877,959 \$	0 \$	0 \$	877,959 \$	0 \$	877,959 \$	0
Total Other Financing Sources (Uses)	\$ 877,959 \$	0 \$	0 \$	877,959 \$	0 \$	877,959 \$	0
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2007	\$ 70,349 \$	1,750 \$	(424,291) \$	(352,192) \$	(102,300) \$	(139,466) \$	(212,726)
	206,164	(1,750)	0	204,414	204,313	204,313	101
Fund Balance, June 30, 2008	\$ 276,513 \$	0 \$	(424,291) \$	(147,778) \$	102,013 \$	64,847 \$	(212,625)

Exhibit G-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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 7,342	\$ 0	\$ 0	\$ 7,342	\$ 7,100	\$ 7,100	\$ 242
State of Tennessee	0	0	0	0	0	24,000	(24,000)
Total Revenues	\$ 7,342	\$ 0	\$ 0	\$ 7,342	\$ 7,100	\$ 31,100	\$ (23,758)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Waste Pickup	\$ 124,417	\$ (7,639)	\$ 0	\$ 116,778	\$ 213,078	\$ 137,410	\$ 20,632
Convenience Centers	207,997	(14,256)	1,950	195,691	189,911	213,906	18,215
Other Waste Disposal	73	0	0	73	75	75	2
<u>Other Operations</u>							
Employee Benefits	519	0	0	519	515	520	1
Principal on Debt							
General Government	66,426	0	0	66,426	0	66,426	0
<u>Interest on Debt</u>							
General Government	9,242	0	0	9,242	0	9,242	0
Total Expenditures	\$ 408,674	\$ (21,895)	\$ 1,950	\$ 388,729	\$ 403,579	\$ 427,579	\$ 38,850
Excess (Deficiency) of Revenues Over Expenditures	\$ (401,332)	\$ 21,895	\$ (1,950)	\$ (381,387)	\$ (396,479)	\$ (396,479)	\$ 15,092
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 396,000	\$ 0	\$ 0	\$ 396,000	\$ 409,713	\$ 409,713	\$ (13,713)
Total Other Financing Sources (Uses)	\$ 396,000	\$ 0	\$ 0	\$ 396,000	\$ 409,713	\$ 409,713	\$ (13,713)
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (5,332)	\$ 21,895	\$ (1,950)	\$ 14,613	\$ 13,234	\$ 13,234	\$ 1,379
	10,545	(21,895)	0	(11,350)	0	0	(11,350)
Fund Balance, June 30, 2008	\$ 5,213	\$ 0	\$ (1,950)	\$ 3,263	\$ 13,234	\$ 13,234	\$ (9,971)

Exhibit G-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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 865,290	\$ 0	\$ 0	\$ 865,290	\$ 610,100	\$ 663,587	\$ 201,703
Other Local Revenues	3,323	0	0	3,323	3,000	3,000	323
State of Tennessee	2,000	0	0	2,000	0	2,000	0
Total Revenues	\$ 870,613	\$ 0	\$ 0	\$ 870,613	\$ 613,100	\$ 668,587	\$ 202,026
<u>Expenditures</u>							
Public Health and Welfare							
Ambulance/Emergency Medical Services	\$ 972,175	\$ (14,641)	\$ 3,524	\$ 961,058	\$ 1,008,087	\$ 1,063,574	\$ 102,516
Total Expenditures	\$ 972,175	\$ (14,641)	\$ 3,524	\$ 961,058	\$ 1,008,087	\$ 1,063,574	\$ 102,516
Excess (Deficiency) of Revenues Over Expenditures	\$ (101,562)	\$ 14,641	\$ (3,524)	\$ (90,445)	\$ (394,987)	\$ (394,987)	\$ 304,542
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 64,654	\$ 0	\$ 0	\$ 64,654	\$ 65,000	\$ 65,000	\$ (346)
Insurance Recovery	48	0	0	48	0	0	48
Transfers In	33,000	0	0	33,000	123,859	123,859	(90,859)
Total Other Financing Sources (Uses)	\$ 97,702	\$ 0	\$ 0	\$ 97,702	\$ 188,859	\$ 188,859	\$ (91,157)
Net Change in Fund Balance	\$ (3,860)	\$ 14,641	\$ (3,524)	\$ 7,257	\$ (206,128)	\$ (206,128)	\$ 213,385
Fund Balance, July 1, 2007	218,766	(14,641)	0	204,125	206,128	206,128	(2,003)
Fund Balance, June 30, 2008	\$ 214,906	\$ 0	\$ (3,524)	\$ 211,382	\$ 0	\$ 0	\$ 211,382

Exhibit G-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 11,558	\$ 12,500	\$ 12,500	\$ (942)
Other Local Revenues	37	0	0	37
Total Revenues	<u>\$ 11,595</u>	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ (905)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 1,633	\$ 9,000	\$ 29,000	\$ 27,367
Drug Enforcement	34	50	50	16
Total Expenditures	<u>\$ 1,667</u>	<u>\$ 9,050</u>	<u>\$ 29,050</u>	<u>\$ 27,383</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,928</u>	<u>\$ 3,450</u>	<u>\$ (16,550)</u>	<u>\$ 26,478</u>
Net Change in Fund Balance	\$ 9,928	\$ 3,450	\$ (16,550)	\$ 26,478
Fund Balance, July 1, 2007	<u>27,593</u>	<u>27,593</u>	<u>27,593</u>	<u>0</u>
Fund Balance, June 30, 2008	<u>\$ 37,521</u>	<u>\$ 31,043</u>	<u>\$ 11,043</u>	<u>\$ 26,478</u>

# Major Governmental Funds

## Debt Service Funds

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

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

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

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Exhibit H-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 445,336	\$ 449,980	\$ 449,980	\$ (4,644)
Other Local Revenues	8,724	42,480	42,480	(33,756)
Total Revenues	<u>\$ 454,060</u>	<u>\$ 492,460</u>	<u>\$ 492,460</u>	<u>\$ (38,400)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 42,480	\$ 0	\$ 42,480	\$ 0
<u>Principal on Debt</u>				
General Government	708,714	791,780	797,216	88,502
<u>Interest on Debt</u>				
General Government	131,584	136,718	152,686	21,102
<u>Other Debt Service</u>				
General Government	8,825	9,850	9,850	1,025
Total Expenditures	<u>\$ 891,603</u>	<u>\$ 938,348</u>	<u>\$ 1,002,232</u>	<u>\$ 110,629</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (437,543)</u>	<u>\$ (445,888)</u>	<u>\$ (509,772)</u>	<u>\$ 72,229</u>
Net Change in Fund Balance	\$ (437,543)	\$ (445,888)	\$ (509,772)	\$ 72,229
Fund Balance, July 1, 2007	<u>957,899</u>	<u>857,899</u>	<u>857,899</u>	<u>100,000</u>
Fund Balance, June 30, 2008	<u><u>\$ 520,356</u></u>	<u><u>\$ 412,011</u></u>	<u><u>\$ 348,127</u></u>	<u><u>\$ 172,229</u></u>

Exhibit H-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,692,675	\$ 1,597,616	\$ 1,597,616	\$ 95,059
Total Revenues	\$ 1,692,675	\$ 1,597,616	\$ 1,597,616	\$ 95,059
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 940,000	\$ 940,000	\$ 940,000	\$ 0
<u>Interest on Debt</u>				
Education	890,050	890,050	890,050	0
<u>Other Debt Service</u>				
Education	21,706	21,100	21,100	(606)
Total Expenditures	\$ 1,851,756	\$ 1,851,150	\$ 1,851,150	\$ (606)
Excess (Deficiency) of Revenues Over Expenditures	\$ (159,081)	\$ (253,534)	\$ (253,534)	\$ 94,453
Net Change in Fund Balance	\$ (159,081)	\$ (253,534)	\$ (253,534)	\$ 94,453
Fund Balance, July 1, 2007	1,318,553	1,318,553	1,318,553	0
Fund Balance, June 30, 2008	\$ 1,159,472	\$ 1,065,019	\$ 1,065,019	\$ 94,453

# 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.

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Exhibit I-1

Smith County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>		
	<u>Cities -</u>	<u>Constitu-</u>	
	<u>Sales</u>	<u>tional</u>	
	<u>Tax</u>	<u>Officers -</u>	
		<u>Agency</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,160,035	\$ 1,160,035
Investments	0	44,769	44,769
Accounts Receivable	0	1,169	1,169
Due from Other Governments	202,943	0	202,943
Cash Shortage	0	819	819
Total Assets	<u>\$ 202,943</u>	<u>\$ 1,206,792</u>	<u>\$ 1,409,735</u>
<u>LIABILITIES</u>			
Cash Overdraft	\$ 0	\$ 892	\$ 892
Due to Other Taxing Units	202,943	0	202,943
Due to Litigants, Heirs, and Others	0	1,205,900	1,205,900
Total Liabilities	<u>\$ 202,943</u>	<u>\$ 1,206,792</u>	<u>\$ 1,409,735</u>

Exhibit I-2

Smith County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,017,148	\$ 1,017,148	\$ 0
Due from Other Governments	169,837	202,943	169,837	202,943
<b>Total Assets</b>	<b>\$ 169,837</b>	<b>\$ 1,220,091</b>	<b>\$ 1,186,985</b>	<b>\$ 202,943</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 169,837	\$ 1,220,091	\$ 1,186,985	\$ 202,943
<b>Total Liabilities</b>	<b>\$ 169,837</b>	<b>\$ 1,220,091</b>	<b>\$ 1,186,985</b>	<b>\$ 202,943</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 940,527	\$ 5,543,246	\$ 5,323,738	\$ 1,160,035
Investments	45,729	44,769	45,729	44,769
Accounts Receivable	225	1,169	225	1,169
Cash Shortage	0	819	0	819
<b>Total Assets</b>	<b>\$ 986,481</b>	<b>\$ 5,590,003</b>	<b>\$ 5,369,692</b>	<b>\$ 1,206,792</b>
<u>Liabilities</u>				
Cash Overdraft	\$ 0	\$ 892	\$ 0	\$ 892
Due to Litigants, Heirs, and Others	986,481	5,589,111	5,369,692	1,205,900
<b>Total Liabilities</b>	<b>\$ 986,481</b>	<b>\$ 5,590,003</b>	<b>\$ 5,369,692</b>	<b>\$ 1,206,792</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,017,148	\$ 1,017,148	\$ 0
Cash	940,527	5,543,246	5,323,738	1,160,035
Investments	45,729	44,769	45,729	44,769
Accounts Receivable	225	1,169	225	1,169
Due from Other Governments	169,837	202,943	169,837	202,943
Cash Shortage	0	819	0	819
<b>Total Assets</b>	<b>\$ 1,156,318</b>	<b>\$ 6,810,094</b>	<b>\$ 6,556,677</b>	<b>\$ 1,409,735</b>
<u>Liabilities</u>				
Cash Overdraft	\$ 0	\$ 892	\$ 0	\$ 892
Due to Other Taxing Units	169,837	1,220,091	1,186,985	202,943
Due to Litigants, Heirs, and Others	986,481	5,589,111	5,369,692	1,205,900
<b>Total Liabilities</b>	<b>\$ 1,156,318</b>	<b>\$ 6,810,094</b>	<b>\$ 6,556,677</b>	<b>\$ 1,409,735</b>

# Smith County School Department

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This section presents fund financial statements for the Smith County School Department, a discretely presented component unit. The School Department uses a General Fund, two Special Revenue Funds, and one Capital Projects Fund.

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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

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Exhibit J-1

Smith County, Tennessee  
Statement of Activities  
Discretely Presented Smith County School Department  
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Total Governmental Activities	
Governmental Activities:						
Instruction	\$ 14,266,993	\$ 41,823	\$ 1,482,782	\$ 27,290	\$	(12,715,098)
Support Services	6,863,267	15,983	81,176	0		(6,766,108)
Operation of Non-Instructional Services	2,206,257	680,429	972,818	0		(553,010)
Total Governmental Activities	\$ 23,336,517	\$ 738,235	\$ 2,536,776	\$ 27,290	\$	(20,034,216)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					\$	2,899,613
Local Option Sales Tax						1,224,482
Mineral Severance Tax						25
Interstate Telecommunications Tax						1,957
Grants and Contributions Not Restricted for Specific Programs						15,369,705
Interest Income						11,031
Miscellaneous						45,052
Total General Revenues					\$	19,551,865
Change in Net Assets					\$	(482,351)
Net Assets, July 1, 2007						37,164,871
Net Assets, June 30, 2008					\$	36,682,520

Exhibit J-2

Smith County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Smith County School Department  
June 30, 2008

	<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	\$ 1,797,658	\$ 607,597	\$ 2,405,255
Accounts Receivable	3,167	379	3,546
Due from Other Governments	296,099	97,045	393,144
Due from Other Funds	33,672	46,430	80,102
Property Taxes Receivable	2,483,162	0	2,483,162
Allowance for Uncollectible Property Taxes	(114,439)	0	(114,439)
<b>Total Assets</b>	<b>\$ 4,499,319</b>	<b>\$ 751,451</b>	<b>\$ 5,250,770</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<u>Liabilities</u>			
Accounts Payable	\$ 6,739	\$ 1,568	\$ 8,307
Accrued Payroll	1,139	0	1,139
Payroll Deductions Payable	534,610	28,840	563,450
Contracts Payable	0	40,782	40,782
Retainage Payable	0	69,714	69,714
Due to Other Funds	46,430	33,672	80,102
Deferred Revenue - Current Property Taxes	2,239,798	0	2,239,798
Deferred Revenue - Delinquent Property Taxes	121,656	0	121,656
Other Deferred Revenues	114,839	0	114,839
<b>Total Liabilities</b>	<b>\$ 3,065,211</b>	<b>\$ 174,576</b>	<b>\$ 3,239,787</b>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 65,880	\$ 31,848	\$ 97,728
Reserved for Vocational Projects	203,846	81	203,927
Reserved for Career Ladder - Extended Contract	83,149	0	83,149
Reserved for Career Ladder Program	438	0	438
Reserved for Basic Education Program	907,458	0	907,458
Reserved for Title I Grants to Local Education Agencies	0	75,336	75,336
Reserved for Innovative Education Program Strategies	0	104	104
Reserved for Special Education - Grants to States	0	46,778	46,778
Other Federal Reserves	0	58,174	58,174
Unreserved, Reported In:			
General Fund	173,337	0	173,337
Special Revenue Funds	0	365,225	365,225
Capital Projects Funds (Deficit)	0	(671)	(671)
<b>Total Fund Balances</b>	<b>\$ 1,434,108</b>	<b>\$ 576,875</b>	<b>\$ 2,010,983</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,499,319</b>	<b>\$ 751,451</b>	<b>\$ 5,250,770</b>

Exhibit J-3

Smith County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Smith County School Department  
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 2,010,983
(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: infrastructure net of accumulated depreciation	112,606	
Add: buildings and improvements net of accumulated depreciation	31,932,798	
Add: other capital assets net of accumulated depreciation	<u>1,209,711</u>	34,481,853
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		236,495
(3) 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		<u>(46,811)</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 36,682,520</u>

Exhibit J-4

Smith County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Smith County School Department  
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 4,153,094	\$ 0	\$ 4,153,094
Licenses and Permits	1,776	0	1,776
Charges for Current Services	33,654	679,213	712,867
Other Local Revenues	70,190	11,511	81,701
State of Tennessee	15,277,883	56,324	15,334,207
Federal Government	0	2,380,480	2,380,480
Other Governments and Citizens Groups	12,240	0	12,240
Total Revenues	<u>\$ 19,548,837</u>	<u>\$ 3,127,528</u>	<u>\$ 22,676,365</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 12,167,516	\$ 1,113,987	\$ 13,281,503
Support Services	6,458,258	390,865	6,849,123
Operation of Non-Instructional Services	555,300	1,541,337	2,096,637
Capital Outlay	190,198	0	190,198
Capital Projects	0	1,591,620	1,591,620
Total Expenditures	<u>\$ 19,371,272</u>	<u>\$ 4,637,809</u>	<u>\$ 24,009,081</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 177,565</u>	<u>\$ (1,510,281)</u>	<u>\$ (1,332,716)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 38,074	\$ 0	\$ 38,074
Transfers In	49,349	1,421,430	1,470,779
Transfers Out	(1,421,430)	(49,349)	(1,470,779)
Total Other Financing Sources (Uses)	<u>\$ (1,334,007)</u>	<u>\$ 1,372,081</u>	<u>\$ 38,074</u>
Net Change in Fund Balances	\$ (1,156,442)	\$ (138,200)	\$ (1,294,642)
Fund Balance, July 1, 2007	<u>2,590,550</u>	<u>715,075</u>	<u>3,305,625</u>
Fund Balance, June 30, 2008	<u>\$ 1,434,108</u>	<u>\$ 576,875</u>	<u>\$ 2,010,983</u>

Exhibit J-5

Smith County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Smith County School Department  
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$ (1,294,642)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,747,259	
Less: current year depreciation expense	<u>(981,750)</u>	765,509
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: capital assets disposals		<u>(7,255)</u>
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2007	\$ (167,948)	
Add: deferred delinquent property taxes and other deferred June 30, 2008	<u>236,495</u>	68,547
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences payable		<u>(14,510)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (482,351)</u>

Smith County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Smith County School Department  
June 30, 2008

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects		
\$ 224,364 \$	319,166 \$	543,530 \$	64,067 \$	607,597		
0	379	379	0	379		
27,943	69,102	97,045	0	97,045		
0	0	0	46,430	46,430		
<u>\$ 252,307 \$</u>	<u>388,647 \$</u>	<u>640,954 \$</u>	<u>110,497 \$</u>	<u>751,451</u>		

ASSETS

Equity in Pooled Cash and Investments	
Accounts Receivable	
Due from Other Governments	
Due from Other Funds	
Total Assets	

LIABILITIES AND FUND BALANCES

Liabilities	Amount	Amount	Amount	Amount	Amount
Accounts Payable	0 \$	1,568 \$	1,568 \$	0 \$	1,568
Payroll Deductions Payable	27,996	844	28,840	0	28,840
Contracts Payable	0	0	0	40,782	40,782
Retainage Payable	0	0	0	69,714	69,714
Due to Other Funds	33,672	0	33,672	0	33,672
Total Liabilities	<u>\$ 61,668 \$</u>	<u>2,412 \$</u>	<u>64,080 \$</u>	<u>110,496 \$</u>	<u>174,576</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	10,166 \$	21,010 \$	31,176 \$	672 \$	31,848
Reserved for Vocational Projects	81	0	81	0	81
Reserved for Title I Grants to Local Education Agencies	75,336	0	75,336	0	75,336
Reserved for Innovative Education Program Strategies	104	0	104	0	104
Reserved for Special Education - Grants to States	46,778	0	46,778	0	46,778
Other Federal Reserves	58,174	0	58,174	0	58,174
Unreserved (Deficit)	0	365,225	365,225	(671)	364,554
Total Fund Balances	<u>\$ 190,639 \$</u>	<u>386,235 \$</u>	<u>576,874 \$</u>	<u>1 \$</u>	<u>576,875</u>
Total Liabilities and Fund Balances	<u>\$ 252,307 \$</u>	<u>388,647 \$</u>	<u>640,954 \$</u>	<u>110,497 \$</u>	<u>751,451</u>

Exhibit J-7

Smith County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Smith County School Department  
For the Year Ended June 30, 2008

	Special Revenue Funds				Total	Capital Projects		Total Nonmajor Governmental Funds
	School Federal Projects		Central Cafeteria			Education Capital Projects	Nonmajor Governmental Funds	
<u>Revenues</u>								
Charges for Current Services	\$ 0	\$ 679,213	\$ 679,213	\$ 0	\$ 679,213	\$ 0	\$ 679,213	
Other Local Revenues	0	11,261	11,261	250	11,511		11,511	
State of Tennessee	35,790	20,534	56,324	0	56,324		56,324	
Federal Government	1,537,450	843,030	2,380,480	0	2,380,480		2,380,480	
Total Revenues	\$ 1,573,240	\$ 1,554,038	\$ 3,127,278	\$ 250	\$ 3,127,528		\$ 3,127,528	
<u>Expenditures</u>								
Current:								
Instruction	\$ 1,113,987	\$ 0	\$ 1,113,987	\$ 0	\$ 1,113,987		\$ 1,113,987	
Support Services	390,865	0	390,865	0	390,865		390,865	
Operation of Non-Instructional Services	0	1,541,337	1,541,337	0	1,541,337		1,541,337	
Capital Projects	0	0	0	1,591,620	1,591,620		1,591,620	
Total Expenditures	\$ 1,504,852	\$ 1,541,337	\$ 3,046,189	\$ 1,591,620	\$ 4,637,809		\$ 4,637,809	
Excess (Deficiency) of Revenues Over Expenditures	\$ 68,388	\$ 12,701	\$ 81,089	\$ (1,591,370)	\$ (1,510,281)		\$ (1,510,281)	
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 0	\$ 0	\$ 0	\$ 1,421,430	\$ 1,421,430		\$ 1,421,430	
Transfers Out	(49,349)	0	(49,349)	0	(49,349)		(49,349)	
Total Other Financing Sources (Uses)	\$ (49,349)	\$ 0	\$ (49,349)	\$ 1,421,430	\$ 1,372,081		\$ 1,372,081	
Net Change in Fund Balances	\$ 19,039	\$ 12,701	\$ 31,740	\$ (169,940)	\$ (138,200)		\$ (138,200)	
Fund Balance, July 1, 2007	171,600	373,534	545,134	169,941	715,075		715,075	
Fund Balance, June 30, 2008	\$ 190,639	\$ 386,235	\$ 576,874	\$ 1	\$ 576,875		\$ 576,875	

Exhibit J-8

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Smith County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,153,094	\$ 0	\$ 0	\$ 4,153,094	\$ 4,116,217	\$ 4,116,217	\$ 36,877
Licenses and Permits	1,776	0	0	1,776	1,500	1,500	276
Charges for Current Services	33,654	0	0	33,654	29,500	29,500	4,154
Other Local Revenues	70,190	0	0	70,190	82,200	100,200	(30,010)
State of Tennessee	15,277,883	0	0	15,277,883	14,973,120	15,093,296	184,587
Federal Government	0	0	0	0	20,000	20,000	(20,000)
Other Governments and Citizens Groups	12,240	0	0	12,240	11,700	11,700	540
Total Revenues	\$ 19,548,837	\$ 0	\$ 0	\$ 19,548,837	\$ 19,234,237	\$ 19,372,413	\$ 176,424
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,215,860	(39,598)	1,681	\$ 10,177,943	\$ 10,022,330	\$ 10,085,930	\$ (92,013)
Alternative Instruction Program	55,287	0	0	55,287	53,990	55,990	703
Special Education Program	1,191,196	0	0	1,191,196	1,227,900	1,180,400	(10,796)
Vocational Education Program	705,173	0	0	705,173	733,910	704,210	(963)
<u>Support Services</u>							
Attendance	118,411	0	2,034	120,445	120,820	123,820	3,375
Health Services	223,260	0	2,512	225,772	183,090	228,990	3,218
Other Student Support	440,388	(1,769)	0	438,619	461,900	445,600	6,981
Regular Instruction Program	581,268	(450)	419	581,237	532,900	582,140	903
Special Education Program	160,702	0	0	160,702	166,870	161,670	968
Vocational Education Program	74,984	0	0	74,984	75,690	75,690	706
Adult Programs	1,524	0	0	1,524	1,170	1,570	46
Other Programs	80,176	0	0	80,176	0	80,176	0

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 301,168	\$ 0	\$ 236	\$ 301,404	\$ 363,000	\$ 325,760	\$ 24,356
Director of Schools	164,374	0	3,724	168,098	182,540	177,540	9,442
Office of the Principal	1,173,400	0	628	1,174,028	1,193,050	1,179,050	5,022
Fiscal Services	184,080	0	3,798	187,878	201,510	191,510	3,632
Operation of Plant	1,401,818	(600)	0	1,401,218	1,487,300	1,464,300	63,082
Maintenance of Plant	391,591	0	2,000	393,591	433,490	423,490	29,899
Transportation	1,161,114	0	20,367	1,181,481	1,238,570	1,261,570	80,089
<u>Operation of Non-Instructional Services</u>							
Food Service	1,190	0	0	1,190	1,190	1,190	0
Community Services	40,495	0	0	40,495	50,000	50,000	9,505
Early Childhood Education	513,615	(90,447)	28,481	451,649	500,000	500,000	48,351
<u>Capital Outlay</u>							
Regular Capital Outlay	190,198	0	0	190,198	250,000	250,000	59,802
Total Expenditures	\$ 19,371,272	\$ (132,864)	\$ 65,880	\$ 19,304,288	\$ 19,481,220	\$ 19,550,596	\$ 246,308
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 177,565	\$ 132,864	\$ (65,880)	\$ 244,549	\$ (246,983)	\$ (178,183)	\$ 422,732
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 38,074	\$ 0	\$ 0	\$ 38,074	\$ 0	\$ 16,200	\$ 21,874
Transfers In	49,349	0	0	49,349	30,000	30,000	19,349
Transfers Out	(1,421,430)	0	0	(1,421,430)	(1,346,000)	(1,431,000)	9,570
Total Other Financing Sources (Uses)	\$ (1,334,007)	\$ 0	\$ 0	\$ (1,334,007)	\$ (1,316,000)	\$ (1,384,800)	\$ 50,793
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (1,156,442)	\$ 132,864	\$ (65,880)	\$ (1,089,458)	\$ (1,562,983)	\$ (1,562,983)	\$ 473,525
	2,590,550	(132,864)	0	2,457,686	2,353,211	2,353,211	104,475
Fund Balance, June 30, 2008	\$ 1,434,108	\$ 0	\$ (65,880)	\$ 1,368,228	\$ 790,228	\$ 790,228	\$ 578,000

Exhibit J-9

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Smith County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
State of Tennessee	\$ 35,790	\$ 0	\$ 0	\$ 35,790	\$ 0	\$ 35,790	\$ 0
Federal Government	1,537,450	0	0	1,537,450	1,786,023	1,824,894	(287,444)
Total Revenues	\$ 1,573,240	\$ 0	\$ 0	\$ 1,573,240	\$ 1,786,023	\$ 1,860,684	\$ (287,444)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 553,087	\$ 0	\$ 0	\$ 553,087	\$ 681,902	\$ 681,766	\$ 128,679
Special Education Program	488,070	(1,897)	0	486,173	704,339	671,994	185,821
Vocational Education Program	44,306	(872)	1,278	44,712	41,632	44,713	1
Adult Education Program	28,524	(40)	0	28,484	42,276	43,403	14,919
<u>Support Services</u>							
Other Student Support	12,386	0	197	12,583	22,583	12,601	18
Regular Instruction Program	126,250	(4,100)	8,161	130,311	166,163	166,300	35,989
Special Education Program	121,338	0	530	121,868	116,153	141,795	19,927
Adult Programs	81,762	0	0	81,762	80,956	79,830	(1,932)
Transportation	49,129	0	0	49,129	46,745	52,002	2,873
Total Expenditures	\$ 1,504,852	\$ (6,909)	\$ 10,166	\$ 1,508,109	\$ 1,902,749	\$ 1,894,404	\$ 386,295
Excess (Deficiency) of Revenues Over Expenditures	\$ 68,388	\$ 6,909	\$ (10,166)	\$ 65,131	\$ (116,726)	\$ (33,720)	\$ 98,851
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 61,258	\$ 61,258	\$ (61,258)
Transfers Out	(49,349)	0	0	(49,349)	(109,491)	(120,919)	71,570
Total Other Financing Sources (Uses)	\$ (49,349)	\$ 0	\$ 0	\$ (49,349)	\$ (48,233)	\$ (59,661)	\$ 10,312
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 19,039	\$ 6,909	\$ (10,166)	\$ 15,782	\$ (164,959)	\$ (93,381)	\$ 109,163
Fund Balance, July 1, 2007	171,600	(6,909)	0	164,691	171,600	171,600	(6,909)
Fund Balance, June 30, 2008	\$ 190,639	\$ 0	\$ (10,166)	\$ 180,473	\$ 6,641	\$ 78,219	\$ 102,254

Exhibit J-10

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Smith County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 679,213	\$ 0	\$ 679,213	\$ 731,000	\$ 731,000	\$ (51,787)
Other Local Revenues	11,261	0	11,261	10,500	10,500	761
State of Tennessee	20,534	0	20,534	25,000	25,000	(4,466)
Federal Government	843,030	0	843,030	877,000	877,000	(33,970)
Total Revenues	\$ 1,554,038	\$ 0	\$ 1,554,038	\$ 1,643,500	\$ 1,643,500	\$ (89,462)
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,541,337	21,010	\$ 1,562,347	\$ 1,643,500	\$ 1,643,500	\$ 81,153
Total Expenditures	\$ 1,541,337	21,010	\$ 1,562,347	\$ 1,643,500	\$ 1,643,500	\$ 81,153
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,701	(21,010)	(8,309)	0	0	(8,309)
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 12,701	(21,010)	(8,309)	0	0	(8,309)
	373,534	0	373,534	372,650	372,650	884
Fund Balance, June 30, 2008	\$ 386,235	(21,010)	\$ 365,225	\$ 372,650	\$ 372,650	\$ (7,425)

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Smith County, Tennessee  
Schedule of Changes in Long-term Notes,  
Capital Leases, Other Loans, and Bonds  
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Ambulance	\$ 61,788	2.96	% 11-23-04	11-16-07	\$ 20,596	\$ 0	\$ 20,596	\$ 0
Ambulance	68,605	4.14	12-22-05	12-22-08	45,737	0	22,868	22,869
Land Purchase (Senior Center and Agriculture Center)	135,000	3.09	1-14-05	11-27-07	45,000	0	45,000	0
Agriculture Center	350,000	4.76	6-8-06	11-27-07	320,833	0	320,833	0
Courthouse and Turner Building Renovations	215,000	4.25	10-9-06	10-9-09	215,000	0	71,668	143,332
Ambulance	54,760	4.3	1-5-07	1-5-10	54,760	0	18,253	36,507
Health Department, Boat Ramp, Playground	1,066,800	3.85	1-16-07	1-16-19	1,066,800	0	88,900	977,900
Land Purchase (Jail Site)	280,000	4.22	3-27-07	3-27-16	280,000	0	31,111	248,889
Dump Trucks	350,224	4.15	11-5-07	11-5-12	0	350,224	0	350,224
Ambulance	64,654	4.12	4-8-08	4-8-11	0	64,654	0	64,654
Health Wellness Center	260,000	3.65	3-7-08	3-7-20	0	260,000	0	260,000
Total Payable through General Debt Service Fund					\$ 2,048,726	\$ 674,878	\$ 619,229	\$ 2,104,375
<u>Payable through Highway/Public Works Fund</u>								
Highway Projects	200,000	4.4	11-27-06	11-27-10	\$ 200,000	\$ 0	\$ 50,000	\$ 150,000
Total Notes Payable					\$ 2,248,726	\$ 674,878	\$ 669,229	\$ 2,254,375
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Patrol Cars	225,441	4.45	7-8-05	8-8-08	\$ 100,914	\$ 0	\$ 49,359	\$ 51,555
Patrol Cars	74,768	5.71	3-19-07	3-19-10	54,492	0	17,165	37,327
Patrol Cars	116,490	5.71	3-19-07	3-19-10	84,898	0	26,743	58,155
Total Payable through General Fund					\$ 240,304	\$ 0	\$ 93,267	\$ 147,037
<u>Payable through Highway/Public Works Fund</u>								
Tractor and Boom-Mower	104,000	5.5	12-23-02	10-4-07	\$ 7,817	\$ 0	\$ 7,817	\$ 0
<u>Payable through Solid Waste/Sanitation Fund</u>								
Roll-Off Trucks	208,252	4.35	10-23-06	10-20-09	\$ 208,252	\$ 0	\$ 66,426	\$ 141,826
Total Capital Leases Payable					\$ 456,373	\$ 0	\$ 167,510	\$ 288,863

(Continued)

Exhibit K-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 7-1-07	Issued During Period	Matured During Period	Outstanding 6-30-08
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Career/Agriculture Center Construction	\$ 1,250,000	variable	12-7-05	5-25-25	\$ 898,097	\$ 252,903	\$ 51,000	\$ 1,100,000
Head Start Facility and New Jail Facility	(1)	variable	10-31-07	5-25-20	0	30,205	20,936	9,269
Total Payable through General Debt Service Fund					\$ 898,097	\$ 283,108	\$ 71,936	\$ 1,109,269
<u>Payable through Courthouse and Jail Maintenance Fund</u>								
Head Start Facility and New Jail Facility	(1)	variable	10-31-07	5-25-20	0	674,186	20,114	654,072
Jail Facility	(2)	variable	5-30-08	5-25-11	0	203,773	0	203,773
Total Payable through Courthouse and Jail Maintenance Fund					0	877,959	20,114	857,845
Total Other Loans Payable					\$ 898,097	\$ 1,161,067	\$ 92,050	\$ 1,967,114
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Welcome Center	90,000	4.25	% 10-16-03	10-16-42	\$ 83,900	0	0	\$ 2,500
USDA - Community Facility	257,200	4.63	5-26-06	5-26-42	242,151	0	15,049	227,102
Total Payable through General Debt Service Fund					\$ 326,051	0	\$ 17,549	\$ 308,502
<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	\$ 940,000	0	0	\$ 220,000
School Bonds, Series 2001	9,000,000	4.7 to 5.5	12-14-00	4-1-21	940,000	0	220,000	720,000
School Bonds, Series 2002	5,400,000	3 to 4.75	4-11-02	4-11-13	3,350,000	0	500,000	2,850,000
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					\$ 18,030,000	0	\$ 940,000	\$ 17,090,000
Total Bonds Payable					\$ 18,356,051	0	\$ 957,549	\$ 17,398,502

(1) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$1,378,600, of which \$704,391 had been received at June 30, 2008.

(2) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$10,000,000, of which \$203,773 had been received at June 30, 2008.

Exhibit K-2

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

Year Ending June 30	Notes Principal	Notes Interest	Total Notes Requirements
2009	\$ 396,062	\$ 89,358	\$ 485,420
2010	373,194	76,356	449,550
2011	283,275	57,435	340,710
2012	211,723	46,740	258,463
2013	211,722	38,144	249,866
2014	141,678	30,998	172,676
2015	141,678	25,318	166,996
2016	141,679	19,637	161,316
2017	110,567	13,958	124,525
2018	110,567	9,591	120,158
2019	110,567	5,224	115,791
2020	21,663	854	22,517
Total	<u>\$ 2,254,375</u>	<u>\$ 413,613</u>	<u>\$ 2,667,988</u>

Year Ending June 30	Capital Leases Principal	Capital Leases Interest	Total Capital Leases Requirements
2009	\$ 167,345	\$ 14,040	\$ 181,385
2010	121,518	6,016	127,534
Total	<u>\$ 288,863</u>	<u>\$ 20,056</u>	<u>\$ 308,919</u>

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Fees	Total Other Loans Requirements
2009	\$ 96,800	\$ 29,663	\$ 17,605	\$ 144,068
2010	99,990	28,196	17,251	145,437
2011	307,063	26,682	16,883	350,628
2012	107,700	22,164	7,295	137,159
2013	111,240	20,533	6,900	138,673
2014	115,900	18,848	6,489	141,237
2015	119,690	17,093	6,061	142,844
2016	124,630	15,280	5,619	145,529

(Continued)

Exhibit K-2

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

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Fees	Total Other Loans Requirements
2017	\$ 128,710	\$ 13,392	\$ 5,157	\$ 147,259
2018	133,940	11,442	4,680	150,062
2019	138,340	9,413	4,182	151,935
2020	110,111	7,318	3,668	121,097
2021	71,000	5,650	2,251	78,901
2022	73,000	4,575	2,017	79,592
2023	75,000	3,469	1,776	80,245
2024	76,000	2,333	1,528	79,861
2025	78,000	1,182	1,192	80,374
Total	\$ 1,967,114	\$ 237,233	\$ 110,554	\$ 2,314,901

Year Ending June 30	Bonds Principal	Bonds Interest	Total Bonds Requirements
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

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds Principal	Bonds Interest	Total Bonds Requirements
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	7,335	1,993	9,328
2042	4,164	1,063	5,227
2043	4,040	772	4,812
Total	<u>\$ 17,398,502</u>	<u>\$ 6,858,237</u>	<u>\$ 24,256,739</u>

Exhibit K-3

Smith County, Tennessee  
Schedule of Investments  
For the Year Ended June 30, 2008

<u>Fund and Type</u>	<u>Maturities</u>	<u>Amount</u>
<u>Constitutional Officers - Agency Fund</u>		
College Bound Fund	On Demand	\$ 38,327
Money Market Funds	On Demand	<u>6,442</u>
Total Investments		<u>\$ 44,769</u>

Exhibit K-4

Smith County, Tennessee  
Schedule of Notes Receivable  
For the Year Ended June 30, 2008

Description	Original Amount of Loan	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-08
General Debt Service Fund	\$ 100,000	3-20-07	3-20-17	0%	\$ 90,000
Total					<u>\$ 90,000</u>

Exhibit K-5

Smith County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Smith County School Department  
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Ambulance Service	Grant matching funds	\$ 33,000
General Capital Projects	Other Capital Projects	Parking lot and storm sewer project	40,000
Solid Waste Disposal	Solid Waste/ Sanitation	Operations	<u>396,000</u>
Total Transfers Primary Government			<u>\$ 469,000</u>
<u>DISCRETELY PRESENTED SMITH COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	Education Capital Projects	Building projects	\$ 1,421,430
School Federal Projects	General Purpose School	Indirect costs	37,766
School Federal Projects	General Purpose School	Guidance personnel salary	<u>11,583</u>
Total Transfers Discretely Presented Smith County School Department			<u>\$ 1,470,779</u>

Smith County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Smith County School Department  
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 63,377	\$ 50,000	The Cincinnati Insurance Company
Road Commissioner	Section 8-24-102, <u>TCA</u>	60,360	100,000	"
Director of Schools	State Board of Education and Smith County Board of Education	82,974 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,872	560,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,872	12,500	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	Western Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	The Cincinnati Insurance Company
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	54,872 (2)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	54,872	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> and Section 8-8-102, <u>TCA</u>	57,110 (3)	25,000	"
Employee Dishonesty Bond Coverage: General County and Highway Department Employees			150,000	Local Government Property and Casualty Fund
School Department Employees			250,000	The Cincinnati Insurance Company

(1) Includes \$1,000 CEO supplement.  
(2) Does not include special commissioner fees of \$21,058.  
(3) The sheriff was not certified by the POST Commission until 10/2/07.  
Prior to certification, his salary was reduced by 20 percent in accordance with Section 8-8-102, TCA. After receiving his certification, his salary was increased to 100%.

Exhibit K-7

Smith County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2008

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control
<u>Local Taxes</u>							
County Property Taxes							
Current Property Tax	\$ 2,323,549	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	66,327	0	0	0	0	0	0
Trustee's Collections - Bankruptcy	60	0	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	52,719	0	0	0	0	0	0
Interest and Penalty	15,332	0	0	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	975	0	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	12,433	0	0	0	0	0	0
<u>County Local Option Taxes</u>							
Local Option Sales Tax	621,947	0	0	0	0	0	0
Wheel Tax	0	86,959	0	0	0	0	0
Litigation Tax - General	72,996	22,707	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	51,260	0	0	0	0	0
Business Tax	100,613	0	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0	0
<u>Statutory Local Taxes</u>							
Bank Excise Tax	81,838	0	0	0	0	0	0
Wholesale Beer Tax	86,885	0	0	0	0	0	0
Interstate Telecommunications Tax	1,630	0	0	0	0	0	0
Total Local Taxes	\$ 3,437,304	\$ 160,926	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 10,220	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Permits							
Beer Permits	845	0	0	0	0	0	0
Building Permits	76,150	0	0	0	0	0	0
Total Licenses and Permits	\$ 87,215	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Jail Fees	\$ 800	473 \$	0 \$	0 \$	0 \$	0 \$	0
Data Entry Fee - Circuit Court							
<u>General Sessions Court</u>							
Fines	752	0	0	0	0	0	0
Game and Fish Fines	723	0	0	0	0	0	0
Drug Control Fines	760	0	0	0	0	0	0
Drug Court Fees	1,662	0	0	0	0	0	11,558
Jail Fees	18,963	0	0	0	0	0	0
DUI Treatment Fines	7,478	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	6,868	0	0	0	0	0	0
Courtroom Security Fee	1,706	0	0	0	0	0	0
<u>Juvenile Court</u>							
Data Entry Fee - Juvenile Court	142	0	0	0	0	0	0
<u>Chancery Court</u>							
Officers Costs	3,245	0	0	0	0	0	0
Data Entry Fee - Chancery Court	1,087	0	0	0	0	0	0
Courtroom Security Fee	14	0	0	0	0	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 44,200</b>	<b>473 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>0 \$</b>	<b>11,558</b>
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 0	0 \$	0 \$	0 \$	865,090 \$	0 \$	0
Other General Service Charges	20,890	0	0	0	0	0	0
<u>Fees</u>							
Recreation Fees	0	0	0	0	0	2,100	0
Copy Fees	11,201	0	0	0	200	0	0
Library Fees	0	0	16,722	0	0	0	0
Telephone Commissions	3,030	0	0	0	0	0	0
Vending Machine Collections	0	0	0	0	0	900	0
Tourism Fees	0	0	0	0	0	18,225	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control
<u>Charges for Current Services (Cont.)</u>							
<u>Fees (Cont.)</u>							
Special Commissioner Fees/Special Master Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Data Processing Fee - Register	8,858	0	0	0	0	0	0
Data Processing Fee - Sheriff	3,500	0	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,800	0	0	0	0	0	0
Other Charges for Services	6,023	0	0	0	0	0	0
Other Charges for Services	55,302	0	16,722	0	865,290	21,225	0
Total Charges for Current Services	\$ 67,483	\$ 0	\$ 16,722	\$ 0	\$ 865,290	\$ 21,225	\$ 0
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 287,452	\$ 0	\$ 1,017	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	8,475	0	0	7,342	0	0	0
Sale of Materials and Supplies	93	0	0	0	0	0	0
Commissary Sales	300	0	0	0	0	0	0
Sale of Gasoline	0	0	0	0	3,323	0	0
Sale of Maps	2,501	0	0	0	0	0	0
Miscellaneous Refunds	9,462	200	0	0	0	0	37
<u>Nonrecurring Items</u>							
Sale of Equipment	6,218	0	0	0	0	0	0
Sale of Property	0	0	0	0	0	0	0
Contributions and Gifts	2,789	0	3,200	0	0	1,636	0
<u>Other Local Revenues</u>							
Other Local Revenues	103,014	0	0	0	0	0	0
Total Other Local Revenues	\$ 420,304	\$ 200	\$ 4,217	\$ 7,342	\$ 3,323	\$ 1,636	\$ 37
<u>Fees Received from County Officials</u>							
<u>Fees in-Lieu-of Salary</u>							
County Clerk	\$ 173,952	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	64,717	0	0	0	0	0	0
General Sessions Court Clerk	209,845	0	0	0	0	0	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees In-Lieu-of Salary (Cont.)</u>							
Clerk and Master	\$ 68,965	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Register	86,541	0	0	0	0	0	0
Sheriff	61,887	0	0	0	0	0	0
Trustee	248,595	0	0	0	0	0	0
<b>Total Fees Received from County Officials</b>	<b>\$ 914,502</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 6,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	13,224	0	0	0	0	0	0
State Reappraisal Grant	7,069	0	0	0	0	0	0
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	21,750	0	0	0	0	0	0
Health and Welfare Grants							
Health Department Programs	3,308	0	0	0	0	0	0
Other Health and Welfare Grants	15,789	0	0	0	0	0	0
<u>Public Works Grants</u>							
State Aid Program	0	0	0	0	0	0	0
Litter Program	25,229	0	0	0	0	0	0
<u>Other State Revenues</u>							
Flood Control	5,530	0	0	0	0	0	0
Income Tax	32,023	0	0	0	0	0	0
Beer Tax	19,312	0	0	0	0	0	0
Alcoholic Beverage Tax	30,091	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	371,473	0	0	0	0	0	0
Contracted Prisoner Boarding	163,132	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0	0
Other State Grants	9,444	0	8,353	0	2,000	0	0

(Continued)

Exhibit K-7

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control
State of Tennessee (Cont.)							
Other State Revenues (Cont.)							
Other State Revenues	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total State of Tennessee	\$ 742,504	\$ 0	\$ 8,353	\$ 0	\$ 2,000	\$ 0	\$ 0
Federal Government							
Federal Through State							
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Law Enforcement Grants	4,965	0	0	0	0	0	0
Other Federal through State	24,614	0	0	0	0	0	0
Direct Federal Revenue							
Police Service (Lake Area)	16,808	0	0	0	0	0	0
Other Direct Federal Revenue	0	0	0	0	0	0	0
Total Federal Government	\$ 46,387	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Governments and Citizens Groups							
Other Governments							
Contributions	\$ 66,070	\$ 0	\$ 75,815	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	1,000	0	0	0	0	0	0
Citizens Groups							
Donations	2,300	0	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 69,370	\$ 0	\$ 75,815	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 5,817,088	\$ 161,599	\$ 105,107	\$ 7,342	\$ 870,613	\$ 22,861	\$ 11,595

(Continued)

Exhibit K-7

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds				Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Community Projects	Other Capital Projects		
<u>Local Taxes</u>									
County Property Taxes									
Current Property Tax	\$ 0	\$ 163,045	\$ 407,616	\$ 353,269	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,247,479
Trustee's Collections - Prior Year	0	4,444	11,331	9,992	0	0	0	0	92,094
Trustee's Collections - Bankruptcy	0	4	10	9	0	0	0	0	83
Circuit/Clerk & Master Collections - Prior Years	0	3,554	8,885	7,701	0	0	0	0	72,859
Interest and Penalty	0	1,043	2,610	2,261	0	0	0	0	21,246
Payments in-Lieu-of Taxes - T.V.A.	0	68	171	148	0	0	0	0	1,362
Payments in-Lieu-of Taxes - Other	0	0	0	0	0	0	0	0	12,433
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	447,461	0	0	0	0	1,069,408
Wheel Tax	0	0	0	858,655	0	0	0	0	945,614
Litigation Tax - General	0	0	0	0	0	0	0	0	95,703
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	0	51,260
Business Tax	0	0	0	0	0	0	0	0	100,613
Mineral Severance Tax	0	76,672	0	0	0	0	0	0	76,672
<u>Statutory Local Taxes</u>									
Bank Excise Tax	0	16,787	14,689	12,590	0	0	0	0	125,904
Wholesale Beer Tax	0	0	0	0	0	0	0	0	86,885
Interstate Telecommunications Tax	0	0	24	589	0	0	0	0	2,243
Total Local Taxes	\$ 0	\$ 265,617	\$ 445,336	\$ 1,692,675	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,001,858
<u>Licenses and Permits</u>									
Licenses									
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,220
<u>Permits</u>									
Beer Permits	0	0	0	0	0	0	0	0	845
Building Permits	0	0	0	0	0	0	0	0	76,150
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 87,215

(Continued)

Exhibit K-7

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds				Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Community Projects	Other Capital Projects		
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Jail Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	473
Data Entry Fee - Circuit Court	0	0	0	0	0	0	0	0	800
<u>General Sessions Court</u>									
Fines	0	0	0	0	0	0	0	0	752
Game and Fish Fines	0	0	0	0	0	0	0	0	723
Drug Control Fines	0	0	0	0	0	0	0	0	760
Drug Court Fees	0	0	0	0	0	0	0	0	13,220
Jail Fees	0	0	0	0	0	0	0	0	18,963
DUI Treatment Fines	0	0	0	0	0	0	0	0	7,478
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	0	0	6,868
Courtroom Security Fee	0	0	0	0	0	0	0	0	1,706
<u>Juvenile Court</u>									
Data Entry Fee - Juvenile Court	0	0	0	0	0	0	0	0	142
<u>Chancery Court</u>									
Officers Costs	0	0	0	0	0	0	0	0	3,245
Data Entry Fee - Chancery Court	0	0	0	0	0	0	0	0	1,087
Courtroom Security Fee	0	0	0	0	0	0	0	0	14
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 56,231</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	865,090
Other General Service Charges	0	0	0	0	0	0	0	0	20,890
<u>Fees</u>									
Recreation Fees	0	0	0	0	0	0	0	0	2,100
Copy Fees	0	0	0	0	0	0	0	0	11,401
Library Fees	0	0	0	0	0	0	0	0	16,722
Telephone Commissions	0	0	0	0	0	0	0	0	3,030
Vending Machine Collections	0	0	0	0	0	0	0	0	900
Tourism Fees	0	0	0	0	0	0	0	0	18,225

(Continued)

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

	Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Community Projects	Other Capital Projects			
<u>Charges for Current Services (Cont.)</u>										
<u>Fees (Cont.)</u>										
Special Commissioner Fees/Special Master Fees	\$ 21,058	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,058	
Data Processing Fee - Register	0	0	0	0	0	0	0	0	8,858	
Data Processing Fee - Sheriff	0	0	0	0	0	0	0	0	3,500	
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	0	0	1,800	
<u>Other Charges for Services</u>	0	0	0	0	0	0	0	0	6,023	
Other Charges for Services	21,058	0	0	0	0	0	0	0	979,597	
Total Charges for Current Services	\$ 21,058	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 979,597	
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	0	0	0	0	0	0	0	0	288,469	
Lease/Rentals	0	0	8,724	0	0	0	6,543	0	31,084	
Sale of Materials and Supplies	0	0	0	0	150	0	0	0	243	
Commissary Sales	0	0	0	0	0	0	0	0	300	
Sale of Gasoline	0	0	0	0	0	0	0	0	3,323	
Sale of Maps	0	0	0	0	0	0	0	0	2,501	
Miscellaneous Refunds	0	1,410	0	0	0	0	0	0	11,109	
<u>Nonrecurring Items</u>										
Sale of Equipment	0	47,135	0	0	0	0	0	0	53,353	
Sale of Property	0	0	0	0	0	0	17,500	0	17,500	
Contributions and Gifts	0	0	0	0	0	200	45,767	0	53,592	
<u>Other Local Revenues</u>	0	14,538	0	0	0	0	0	0	117,552	
Other Local Revenues	0	63,083	8,724	0	150	200	69,810	0	579,026	
Total Other Local Revenues	\$ 0	\$ 63,083	\$ 8,724	\$ 0	\$ 150	\$ 200	\$ 69,810	\$ 0	\$ 579,026	
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	0	0	0	0	0	0	0	0	173,952	
Circuit Court Clerk	0	0	0	0	0	0	0	0	64,717	
General Sessions Court Clerk	0	0	0	0	0	0	0	0	209,845	

(Continued)

Exhibit K-7

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds				Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Community Projects	Other Capital Projects		
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees In-Lieu-of Salary (Cont.)</u>									
Clerk and Master	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,965
Register	0	0	0	0	0	0	0	0	86,541
Sheriff	0	0	0	0	0	0	0	0	61,887
Trustee	0	0	0	0	0	0	0	0	248,595
<b>Total Fees Received from County Officials</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 914,502</b>
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,750
Aging Programs	0	0	0	0	0	0	0	0	13,224
State Reappraisal Grant	0	0	0	0	0	0	0	0	7,069
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	0	0	0	0	0	0	0	0	21,750
<u>Health and Welfare Grants</u>									
Health Department Programs	0	0	0	0	0	0	0	0	3,308
Other Health and Welfare Grants	0	0	0	0	0	0	0	0	15,789
<u>Public Works Grants</u>									
State Aid Program	0	289,573	0	0	0	0	0	0	289,573
Litter Program	0	0	0	0	0	0	0	0	25,229
<u>Other State Revenues</u>									
Flood Control	0	0	0	0	0	0	0	0	5,530
Income Tax	0	0	0	0	0	0	0	0	32,023
Beer Tax	0	0	0	0	0	0	0	0	19,312
Alcoholic Beverage Tax	0	0	0	0	0	0	0	0	30,091
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	0	0	371,473
Contracted Prisoner Boarding	0	0	0	0	0	0	0	0	163,132
Gasoline and Motor Fuel Tax	0	1,509,970	0	0	0	0	0	0	1,509,970
Petroleum Special Tax	0	14,228	0	0	0	0	0	0	14,228
Registrar's Salary Supplement	0	0	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	19,000	0	33,334	0	72,131

(Continued)

Exhibit K-7

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

	Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total
	Constitutional Officers - Fees	Highway / Public Works		General Debt Service	Education Debt Service	General Capital Projects	Community Projects	Other Capital Projects		
<u>State of Tennessee (Cont.)</u>										
Other State Revenues (Cont.)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 360,000	\$ 0	\$ 0	\$ 362,000	
Total State of Tennessee	\$ 0	\$ 1,813,771	\$ 0	\$ 0	\$ 0	\$ 379,000	\$ 0	\$ 33,334	\$ 2,978,962	
<u>Federal Government</u>										
<u>Federal Through State</u>										
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 400,000	\$ 0	\$ 0	\$ 400,000	
Law Enforcement Grants	0	0	0	0	0	0	0	0	4,965	
Other Federal through State	0	0	0	0	0	0	0	0	24,614	
<u>Direct Federal Revenue</u>										
Police Service (Lake Area)	0	0	0	0	0	0	0	0	16,808	
Other Direct Federal Revenue	0	0	0	0	0	0	40,000	0	40,000	
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 400,000	\$ 40,000	\$ 0	\$ 486,387	
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 141,885	
Contracted Services	0	0	0	0	0	0	0	0	1,000	
<u>Citizens Groups</u>										
Donations	0	0	0	0	0	0	0	0	2,300	
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 145,185	
Total	\$ 21,058	\$ 2,142,471	\$ 454,060	\$ 1,692,675	\$ 779,150	\$ 40,200	\$ 103,144	\$ 12,228,963		

Exhibit K-8

Smith County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Smith County School Department  
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,703,728	\$ 0	\$ 0	\$ 0	\$ 2,703,728
Trustee's Collections - Prior Year	65,361	0	0	0	65,361
Trustee's Collections - Bankruptcy	61	0	0	0	61
Circuit/Clerk & Master Collections - Prior Years	56,866	0	0	0	56,866
Interest and Penalty	16,844	0	0	0	16,844
Payments in-Lieu-of Taxes - T.V.A.	1,135	0	0	0	1,135
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,212,840	0	0	0	1,212,840
Mineral Severance Tax	25	0	0	0	25
<u>Statutory Local Taxes</u>					
Bank Excise Tax	94,429	0	0	0	94,429
Interstate Telecommunications Tax	1,805	0	0	0	1,805
Total Local Taxes	\$ 4,153,094	\$ 0	\$ 0	\$ 0	\$ 4,153,094
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,776	\$ 0	\$ 0	\$ 0	\$ 1,776
Total Licenses and Permits	\$ 1,776	\$ 0	\$ 0	\$ 0	\$ 1,776
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Summer School	\$ 2,295	\$ 0	\$ 0	\$ 0	\$ 2,295
Lunch Payments - Children	0	0	431,598	0	431,598
Lunch Payments - Adults	0	0	68,570	0	68,570
Income from Breakfast	0	0	63,212	0	63,212
Special Milk Sales	0	0	16,767	0	16,767
A la carte Sales	0	0	97,755	0	97,755
Receipts from Individual Schools	30,143	0	1,311	0	31,454
Community Service Fees - Adults	1,216	0	0	0	1,216
Total Charges for Current Services	\$ 33,654	\$ 0	\$ 679,213	\$ 0	\$ 712,867
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 5,770	\$ 0	\$ 5,261	\$ 0	\$ 11,031
Lease/Rentals	1,200	0	0	0	1,200
Sale of Materials and Supplies	8,185	0	0	0	8,185
Refund of Telecommunication & Internet Fees (E-Rate)	15,983	0	0	0	15,983
Miscellaneous Refunds	38,146	0	6,000	250	44,396

(Continued)

Exhibit K-8

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>					
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals	\$ 450	\$ 0	\$ 0	\$ 0	\$ 450
Contributions and Gifts	250	0	0	0	250
<u>Other Local Revenues</u>					
Other Local Revenues	206	0	0	0	206
Total Other Local Revenues	\$ 70,190	\$ 0	\$ 11,261	\$ 250	\$ 81,701
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 80,176	\$ 0	\$ 0	\$ 0	\$ 80,176
<u>State Education Funds</u>					
Basic Education Program	\$ 14,310,820	\$ 0	\$ 0	\$ 0	\$ 14,310,820
Early Childhood Education	454,154	0	0	0	454,154
School Food Service	0	0	20,534	0	20,534
Driver Education	7,930	0	0	0	7,930
Other State Education Funds	180,981	35,790	0	0	216,771
Career Ladder Program	156,870	0	0	0	156,870
Career Ladder - Extended Contract	58,662	0	0	0	58,662
<u>Other State Revenues</u>					
Other State Grants	1,000	0	0	0	1,000
Other State Revenues	27,290	0	0	0	27,290
Total State of Tennessee	\$ 15,277,883	\$ 35,790	\$ 20,534	\$ 0	\$ 15,334,207
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 619,500	\$ 0	\$ 619,500
Breakfast	0	0	223,530	0	223,530
Adult Education State Grant Program	0	87,316	0	0	87,316
Vocational Education - Basic Grants to States	0	53,213	0	0	53,213
Title I Grants to Local Education Agencies	0	489,780	0	0	489,780
Innovative Education Program Strategies	0	5,121	0	0	5,121
Special Education - Grants to States	0	670,676	0	0	670,676
Special Education Preschool Grants	0	21,730	0	0	21,730
Safe and Drug-Free Schools - State Grants	0	12,892	0	0	12,892
Eisenhower Professional Development State Grants	0	191,960	0	0	191,960
Other Federal through State	0	4,762	0	0	4,762
Total Federal Government	\$ 0	\$ 1,537,450	\$ 843,030	\$ 0	\$ 2,380,480
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 12,240	\$ 0	\$ 0	\$ 0	\$ 12,240
Total Other Governments and Citizens Groups	\$ 12,240	\$ 0	\$ 0	\$ 0	\$ 12,240
Total	\$ 19,548,837	\$ 1,573,240	\$ 1,554,038	\$ 250	\$ 22,676,365

Exhibit K-9

Smith County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Other Salaries and Wages	\$	358	
Board and Committee Members Fees		15,377	
Other Per Diem and Fees		5,399	
Social Security		1,075	
Audit Services		4,065	
Dues and Memberships		2,366	
Other Contracted Services		6,552	
Total County Commission			\$ 35,192

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	63,377	
Salary Supplements		800	
Secretary(ies)		51,962	
Overtime Pay		2,289	
Social Security		8,987	
State Retirement		6,845	
Medical Insurance		880	
Communication		7,547	
Dues and Memberships		1,200	
Operating Lease Payments		3,713	
Maintenance and Repair Services - Office Equipment		165	
Travel		989	
Office Supplies		15,195	
Data Processing Equipment		5,897	
Office Equipment		259	
Total County Mayor/Executive			170,105

County Attorney

County Official/Administrative Officer	\$	50,718	
Total County Attorney			50,718

Election Commission

County Official/Administrative Officer	\$	49,385	
Clerical Personnel		23,566	
Custodial Personnel		3,700	
Part-time Personnel		5,085	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Commission	\$	2,200	
Election Workers		9,365	
Social Security		5,846	
State Retirement		4,727	
Advertising		1,890	
Communication		1,508	
Postal Charges		3,307	
Printing, Stationery, and Forms		2,658	
Rentals		275	
Travel		709	
Office Supplies		1,295	
Other Charges		10,795	
Total Election Commission			\$ 126,311

Register of Deeds

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		46,018	
Data Processing Personnel		8,773	
Social Security		7,662	
State Retirement		6,538	
Communication		675	
Dues and Memberships		397	
Operating Lease Payments		4,104	
Office Supplies		7,855	
Premiums on Corporate Surety Bonds		125	
Total Register of Deeds			137,019

Planning

Other Per Diem and Fees	\$	2,825	
Dues and Memberships		9,250	
Total Planning			12,075

Codes Compliance

County Official/Administrative Officer	\$	40,975	
Deputy(ies)		12,528	
Social Security		3,893	
State Retirement		2,655	
Medical Insurance		1,761	
Advertising		441	
Communication		1,680	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

General Government (Cont.)

Codes Compliance (Cont.)

Maintenance and Repair Services - Vehicles	\$	3,768	
Gasoline		608	
Office Supplies		1,826	
Road Signs		14,848	
Other Charges		914	
Office Equipment		1,991	
Total Codes Compliance			\$ 87,888

County Buildings

Deputy(ies)	\$	62,749	
Overtime Pay		5,889	
Social Security		5,291	
State Retirement		3,712	
Medical Insurance		2,640	
Communication		1,883	
Contracts with Private Agencies		4,873	
Maintenance and Repair Services - Buildings		78,304	
Maintenance and Repair Services - Equipment		2,276	
Rentals		2,562	
Custodial Supplies		2,891	
Gasoline		12,223	
Utilities		129,559	
Other Supplies and Materials		5,967	
Building Improvements		10,220	
Total County Buildings			331,039

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		46,018	
Social Security		7,695	
State Retirement		6,538	
Advertising		111	
Communication		1,970	
Contracts with Government Agencies		6,995	
Dues and Memberships		1,080	
Postal Charges		1,196	
Travel		3,500	
Other Contracted Services		6,467	
Office Supplies		3,591	

(Continued)

Exhibit K-9

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	
Refunds		1,561	
Total Property Assessor's Office			\$ 141,644

Reappraisal Program

Deputy(ies)	\$	14,430	
Social Security		1,104	
Contracts with Government Agencies		1,971	
Total Reappraisal Program			17,505

County Trustee's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		46,018	
Social Security		7,189	
State Retirement		6,538	
Communication		1,266	
Dues and Memberships		397	
Legal Notices, Recording, and Court Costs		80	
Postal Charges		3,692	
Travel		200	
Office Supplies		1,917	
Other Charges		100	
Data Processing Equipment		5,756	
Office Equipment		2,861	
Total County Trustee's Office			130,886

County Clerk's Office

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		96,231	
Overtime Pay		3,916	
Social Security		10,802	
State Retirement		9,335	
Medical Insurance		5,060	
Advertising		45	
Communication		701	
Dues and Memberships		497	
Postal Charges		2,400	
Printing, Stationery, and Forms		570	
Office Supplies		1,737	
Premiums on Corporate Surety Bonds		500	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Other Charges	\$	320	
Office Equipment		10,397	
Total County Clerk's Office			\$ 197,383

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,872	
Deputy(ies)		113,318	
Board and Committee Members Fees		1,200	
Jury and Witness Fees		8,121	
Social Security		12,234	
State Retirement		10,324	
Medical Insurance		7,480	
Communication		3,282	
Dues and Memberships		397	
Operating Lease Payments		2,013	
Postal Charges		2,171	
Office Supplies		12,714	
Premiums on Corporate Surety Bonds		775	
Other Charges		20	
Data Processing Equipment		11,544	
Total Circuit Court			240,465

General Sessions Judge

Judge(s)	\$	77,150	
Social Security		5,866	
State Retirement		4,999	
Communication		215	
Travel		1,044	
Office Supplies		25	
Other Charges		4,408	
Total General Sessions Judge			93,707

Chancery Court

County Official/Administrative Officer	\$	54,872
Deputy(ies)		23,566
Social Security		5,714
State Retirement		5,083
Medical Insurance		2,640
Communication		1,845

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Dues and Memberships	\$	397	
Operating Lease Payments		1,279	
Office Supplies		4,143	
Premiums on Corporate Surety Bonds		375	
Total Chancery Court			\$ 99,914

Judicial Commissioners

County Official/Administrative Officer	\$	15,471	
Other Salaries and Wages		2,000	
Social Security		1,332	
Communication		567	
Travel		327	
Office Supplies		88	
Total Judicial Commissioners			19,785

Other Administration of Justice

Other Charges	\$	1,925	
Total Other Administration of Justice			1,925

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,110	
Deputy(ies)		219,529	
Detective(s)		64,915	
Investigator(s)		33,984	
Captain(s)		45,692	
Sergeant(s)		197,435	
Paraprofessionals		30,646	
Salary Supplements		21,750	
Dispatchers/Radio Operators		115,127	
Guards		26,784	
Clerical Personnel		42,842	
Attendants		77,630	
School Resource Officer		58,620	
Overtime Pay		123,819	
Other Salaries and Wages		37,008	
In-Service Training		12,838	
Social Security		84,990	
State Retirement		66,714	
Medical Insurance		22,000	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Communication	\$	14,797	
Dues and Memberships		1,200	
Operating Lease Payments		2,835	
Maintenance and Repair Services - Office Equipment		4,439	
Maintenance and Repair Services - Vehicles		51,503	
Medical and Dental Services		1,956	
Travel		72	
Gasoline		111,516	
Office Supplies		12,171	
Uniforms		9,833	
Other Supplies and Materials		833	
Premiums on Corporate Surety Bonds		250	
Law Enforcement Equipment		10,000	
Motor Vehicles		5,690	
Other Equipment		21,655	
Total Sheriff's Department			\$ 1,588,183

Traffic Control

Traffic Control Equipment	\$	980	
Total Traffic Control			980

Jail

Cafeteria Personnel	\$	36,102	
Overtime Pay		293	
Social Security		2,776	
State Retirement		356	
Medical and Dental Services		213,576	
Custodial Supplies		8,509	
Food Supplies		42,463	
Other Supplies and Materials		5,883	
Total Jail			309,958

Correctional Incentive Program Improvements

Deputy(ies)	\$	309,834	
Overtime Pay		13,637	
Social Security		23,402	
State Retirement		14,908	
Medical Insurance		15,180	
Total Correctional Incentive Program Improvements			376,961

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Youth Service Officer(s)	\$	24,000	
Social Security		1,882	
State Retirement		778	
Communication		730	
Travel		187	
Drugs and Medical Supplies		445	
Office Supplies		607	
Other Charges		1,864	
Total Juvenile Services			\$ 30,493

Fire Prevention and Control

Deputy(ies)	\$	8,058	
Other Salaries and Wages		67,154	
Social Security		634	
Maintenance and Repair Services - Equipment		3,704	
Maintenance and Repair Services - Vehicles		11,571	
Rentals		9,709	
Gasoline		4,138	
Office Supplies		198	
Utilities		9,334	
Other Charges		3,921	
Other Equipment		35,051	
Total Fire Prevention and Control			153,472

Civil Defense

Other Salaries and Wages	\$	1,875	
Communication		940	
Contributions		23,166	
Maintenance and Repair Services - Vehicles		271	
Gasoline		622	
Other Equipment		4,089	
Total Civil Defense			30,963

Other Emergency Management

Supervisor/Director	\$	15,000	
Social Security		1,148	
Communication		2,544	
Maintenance and Repair Services - Vehicles		738	
Gasoline		1,945	
Office Supplies		200	

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Other Charges	\$	875	
Office Equipment		118	
Other Equipment		3,640	
Total Other Emergency Management			\$ 26,208

Inspection and Regulation

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

County Coroner/Medical Examiner

Other Contracted Services	\$	29,620	
Total County Coroner/Medical Examiner			29,620

Other Public Safety

Deputy(ies)	\$	9,120	
Dispatchers/Radio Operators		132,220	
Longevity Pay		2,281	
Overtime Pay		15,496	
Social Security		11,875	
State Retirement		10,310	
Medical Insurance		3,080	
Total Other Public Safety			184,382

Public Health and Welfare

Local Health Center

Communication	\$	1,654	
Dues and Memberships		100	
Maintenance and Repair Services - Buildings		9,315	
Custodial Supplies		422	
Drugs and Medical Supplies		602	
Office Supplies		1,379	
Utilities		11,275	
Other Charges		563	
Total Local Health Center			25,310

Other Local Health Services

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

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Appropriation to State

Contracts with Government Agencies	\$ 6,886	
Total Appropriation to State		\$ 6,886

Other Local Welfare Services

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

Waste Pickup

Supervisor/Director	\$ 15,066	
Social Security	1,153	
Maintenance and Repair Services - Vehicles	1,389	
Gasoline	3,137	
Instructional Supplies and Materials	5,500	
Other Charges	968	
Total Waste Pickup		27,213

Other Public Health and Welfare

Other Salaries and Wages	\$ 3,447	
Social Security	264	
Travel	940	
Other Charges	11,567	
Total Other Public Health and Welfare		16,218

Social, Cultural, and Recreational Services

Adult Activities

Other Salaries and Wages	\$ 3,744	
Social Security	286	
Total Adult Activities		4,030

Senior Citizens Assistance

Supervisor/Director	\$ 22,452	
Social Security	1,454	
State Retirement	1,455	
Medical Insurance	2,640	
Travel	1,144	
Office Supplies	867	
Utilities	12,038	
Other Supplies and Materials	941	
Total Senior Citizens Assistance		42,991

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Contributions	\$	64,065	
Office Equipment		4,375	
Total Libraries			\$ 68,440

Parks and Fair Boards

Communication	\$	651	
Other Supplies and Materials		3,146	
Other Charges		14,823	
Building Improvements		27,127	
Other Equipment		11,598	
Total Parks and Fair Boards			57,345

Other Social, Cultural, and Recreational

Sand	\$	900	
Other Supplies and Materials		3,421	
Site Development		9,824	
Total Other Social, Cultural, and Recreational			14,145

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	28,853	
Secretary(ies)		6,877	
Social Security		2,318	
State Retirement		4,414	
Communication		2,954	
Rentals		7,140	
Other Charges		3,520	
Other Equipment		2,500	
Total Agriculture Extension Service			58,576

Soil Conservation

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

Other Operations

Tourism

Contributions	\$	300	
Printing, Stationery, and Forms		254	
Total Tourism			554

(Continued)

Exhibit K-9

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Dues and Memberships	\$	20	
Office Supplies		1,369	
Other Charges		350	
Total Industrial Development			\$ 1,739

Other Economic and Community Development

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

Veterans' Services

Supervisor/Director	\$	8,925	
Social Security		683	
Communication		600	
Travel		524	
Office Supplies		496	
Other Charges		85	
Total Veterans' Services			11,313

Other Charges

Building and Contents Insurance	\$	11,800	
Liability Insurance		43,020	
Vehicle and Equipment Insurance		26,580	
Workers' Compensation Insurance		87,838	
Other Charges		9,092	
Total Other Charges			178,330

Employee Benefits

Longevity Pay	\$	15,803	
Social Security		1,209	
State Retirement		1,024	
Life Insurance		2,960	
Unemployment Compensation		15,370	
Refunds		13	
Total Employee Benefits			36,379

Miscellaneous

Contributions	\$	21,900	
Dues and Memberships		2,095	
Other Supplies and Materials		2,386	
Premiums on Corporate Surety Bonds		3,249	

(Continued)

Exhibit K-9

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

<u>General Fund (Cont.)</u>		
<u>Other Operations (Cont.)</u>		
<u>Miscellaneous (Cont.)</u>		
Trustee's Commission	\$ 68,659	
Other Charges	42,875	
Bridge Construction	1,755	
Building Construction	<u>30,000</u>	
Total Miscellaneous		\$ 172,919
 <u>Highways</u>		
<u>Capital Outlay</u>		
Highway Equipment	\$ <u>350,224</u>	
Total Capital Outlay		350,224
 <u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Capital Leases	\$ <u>93,267</u>	
Total General Government		93,267
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Capital Leases	\$ <u>12,450</u>	
Total General Government		<u>12,450</u>
Total General Fund		\$ 5,864,318
 <u>Courthouse and Jail Maintenance Fund</u>		
<u>General Government</u>		
<u>County Buildings</u>		
Maintenance and Repair Services - Buildings	\$ 24,050	
Site Development	<u>409</u>	
Total County Buildings		\$ 24,459
 <u>Other Operations</u>		
<u>Miscellaneous</u>		
Trustee's Commission	\$ <u>1,344</u>	
Total Miscellaneous		1,344
 <u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Other Loans	\$ <u>20,114</u>	
Total General Government		20,114

(Continued)

Exhibit K-9

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

Courthouse and Jail Maintenance Fund (Cont.)

Interest on Debt

General Government

Interest on Other Loans	\$ 9,599	
Total General Government		\$ 9,599

Other Debt Service

General Government

Other Debt Issuance Charges	\$ 74,686	
Total General Government		74,686

Capital Projects

Administration of Justice Projects

Engineering Services	\$ 194,049	
Other Charges	120	
Site Development	644,838	
Total Administration of Justice Projects		<u>839,007</u>

Total Courthouse and Jail Maintenance Fund		\$ 969,209
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Public Library Fund

Social, Cultural, and Recreational Services

Libraries

Other Salaries and Wages	\$ 61,225	
Travel	775	
Library Books/Media	36,345	
Office Supplies	8,873	
Utilities	6,180	
Total Libraries		<u>\$ 113,398</u>

Total Public Library Fund		113,398
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Overtime Pay	\$ 3,079
Other Salaries and Wages	55,114
Social Security	4,205
State Retirement	3,635
Medical Insurance	2,640
Communication	141
Maintenance and Repair Services - Equipment	10,202
Gasoline	44,693

(Continued)

Exhibit K-9

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Other Supplies and Materials	\$ 708	
Total Waste Pickup		\$ 124,417

Convenience Centers

Other Salaries and Wages	\$ 116,743	
Social Security	8,931	
Communication	3,401	
Maintenance and Repair Services - Buildings	1,178	
Maintenance and Repair Services - Equipment	351	
Rentals	5,799	
Utilities	5,674	
Other Supplies and Materials	4,441	
Site Development	23,707	
Other Equipment	<u>37,772</u>	
Total Convenience Centers		207,997

Other Waste Disposal

Trustee's Commission	\$ 73	
Total Other Waste Disposal		73

Other Operations

Employee Benefits

Longevity Pay	\$ 455	
Social Security	35	
State Retirement	<u>29</u>	
Total Employee Benefits		519

Principal on Debt

General Government

Principal on Capital Leases	\$ 66,426	
Total General Government		66,426

Interest on Debt

General Government

Interest on Capital Leases	\$ 9,242	
Total General Government		<u>9,242</u>

Total Solid Waste/Sanitation Fund		\$ 408,674
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(Continued)

Exhibit K-9

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

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Medical Personnel	\$	387,822	
Longevity Pay		3,599	
Overtime Pay		121,724	
In-Service Training		7,249	
Social Security		38,346	
State Retirement		24,268	
Medical Insurance		17,514	
Communication		12,970	
Laundry Service		3,242	
Licenses		1,100	
Maintenance and Repair Services - Equipment		6,276	
Maintenance and Repair Services - Vehicles		17,884	
Medical and Dental Services		134	
Printing, Stationery, and Forms		732	
Custodial Supplies		2,811	
Drugs and Medical Supplies		43,979	
Gasoline		60,537	
Office Supplies		4,611	
Uniforms		11,016	
Utilities		18,884	
Other Supplies and Materials		10,389	
Building and Contents Insurance		788	
Liability Insurance		1,133	
Premiums on Corporate Surety Bonds		200	
Refunds		513	
Trustee's Commission		8,625	
Vehicle and Equipment Insurance		3,040	
Workers' Compensation Insurance		73,447	
Other Charges		40	
Building Improvements		3,152	
Data Processing Equipment		11,796	
Motor Vehicles		74,354	
Total Ambulance/Emergency Medical Services		<u>972,175</u>	\$ <u>972,175</u>

Total Ambulance Service Fund \$ 972,175

Special Purpose Fund

Other Operations

Miscellaneous

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

Total Special Purpose Fund 7

(Continued)

Exhibit K-9

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

Drug Control Fund

Public Safety

Sheriff's Department

Instructional Supplies and Materials	\$ 1,633	
Total Sheriff's Department		\$ 1,633

Drug Enforcement

Trustee's Commission	\$ 34	
Total Drug Enforcement		<u>34</u>

Total Drug Control Fund		\$ 1,667
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Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 21,058	
Total Chancery Court		<u>\$ 21,058</u>

Total Constitutional Officers - Fees Fund		21,058
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 60,360
Accountants/Bookkeepers	36,331
Overtime Pay	910
Other Salaries and Wages	25,103
Other Per Diem and Fees	275
Advertising	1,481
Communication	5,907
Data Processing Services	4,847
Dues and Memberships	2,948
Freight Expenses	32
Maintenance and Repair Services - Office Equipment	458
Medical and Dental Services	932
Postal Charges	492
Printing, Stationery, and Forms	237
Drugs and Medical Supplies	81
Electricity	5,062
Natural Gas	5,206
Office Supplies	4,435
Water and Sewer	279
Other Charges	2,057

(Continued)

Exhibit K-9

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Communication Equipment	\$ 1,724	
Total Administration		\$ 159,157

Highway and Bridge Maintenance

Foremen	\$ 37,710	
Equipment Operators	152,704	
Truck Drivers	88,809	
Laborers	145,654	
Overtime Pay	2,840	
Other Contracted Services	85,308	
Asphalt - Cold Mix	41,638	
Asphalt - Liquid	84,225	
Concrete	256	
Crushed Stone	99,343	
Other Road Supplies	793	
Pipe	23,204	
Road Signs	1,585	
Salt	1,759	
Wood Products	4,241	
Other Charges	1,128	
Total Highway and Bridge Maintenance		771,197

Operation and Maintenance of Equipment

Mechanic(s)	\$ 49,806	
Overtime Pay	1,274	
Freight Expenses	704	
Maintenance and Repair Services - Equipment	673	
Tow-in Services	1,126	
Custodial Supplies	3,648	
Diesel Fuel	63,451	
Equipment and Machinery Parts	51,174	
Garage Supplies	2,437	
Gasoline	54,037	
Lubricants	9,754	
Small Tools	2,514	
Tires and Tubes	10,240	
Vehicle Parts	39,669	
Other Supplies and Materials	368	
Other Charges	663	
Total Operation and Maintenance of Equipment		291,538

(Continued)

Exhibit K-9

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Contributions	\$	100	
Building and Contents Insurance		1,237	
Liability Insurance		2,355	
Trustee's Commission		19,641	
Vehicle and Equipment Insurance		13,005	
Workers' Compensation Insurance		29,723	
Total Other Charges			\$ 66,061

Employee Benefits

Social Security	\$	46,080	
State Retirement		32,442	
Employee and Dependent Insurance		252,849	
Unemployment Compensation		5,498	
Total Employee Benefits			336,869

Capital Outlay

Motor Vehicles	\$	31,700	
State Aid Projects		368,993	
Total Capital Outlay			400,693

Principal on Debt

Highways and Streets

Principal on Notes	\$	50,000	
Principal on Capital Leases		7,817	
Total Highways and Streets			57,817

Interest on Debt

Highways and Streets

Interest on Notes	\$	7,607	
Interest on Capital Leases		90	
Total Highways and Streets			7,697

Total Highway/Public Works Fund \$ 2,091,029

General Debt Service Fund

Other Operations

Miscellaneous

Building Construction	\$	42,480	
Total Miscellaneous			\$ 42,480

(Continued)

Exhibit K-9

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

General Debt Service Fund (Cont.)

Principal on Debt

General Government

Principal on Bonds	\$ 17,549	
Principal on Notes	619,229	
Principal on Other Loans	<u>71,936</u>	
Total General Government		\$ 708,714

Interest on Debt

General Government

Interest on Bonds	\$ 15,608	
Interest on Notes	78,026	
Interest on Other Loans	<u>37,950</u>	
Total General Government		131,584

Other Debt Service

General Government

Trustee's Commission	\$ 8,825	
Total General Government		<u>8,825</u>

Total General Debt Service Fund \$ 891,603

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 940,000	
Total Education		\$ 940,000

Interest on Debt

Education

Interest on Bonds	\$ 890,050	
Total Education		890,050

Other Debt Service

Education

Bank Charges	\$ 1,045	
Trustee's Commission	<u>20,661</u>	
Total Education		<u>21,706</u>

Total Education Debt Service Fund 1,851,756

(Continued)

Exhibit K-9

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

General Capital Projects Fund

Other Operations

Miscellaneous

Other Charges	\$ 135,283	
Total Miscellaneous		\$ 135,283

Capital Projects

Public Health and Welfare Projects

Engineering Services	\$ 49,872	
Permits	2,000	
Other Charges	6,569	
Site Development	1,513,983	
Total Public Health and Welfare Projects		1,572,424

Social, Cultural, and Recreation Projects

Site Development	\$ 50,976	
Total Social, Cultural, and Recreation Projects		50,976

Other General Government Projects

Advertising	\$ 354	
Total Other General Government Projects		354

Total General Capital Projects Fund		\$ 1,759,037
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Community Projects Fund

Other Operations

Miscellaneous

Other Charges	\$ 39,999	
Total Miscellaneous		\$ 39,999

Total Community Projects Fund		39,999
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Head Start Building Projects Fund

Other Debt Service

General Government

Other Debt Issuance Charges	\$ 4,963	
Total General Government		\$ 4,963

Capital Projects

Education Capital Projects

Engineering Services	\$ 26,218	
Total Education Capital Projects		26,218

Total Head Start Building Projects Fund		31,181
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(Continued)

Exhibit K-9

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

<u>Other Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Social, Cultural, and Recreation Projects</u>		
Advertising	\$	103
Engineering Services		1,665
Other Contracted Services		59,610
Trustee's Commission		63
Other Charges		115
Building Construction		77,238
Building Improvements		17,226
Site Development		<u>117,256</u>
Total Social, Cultural, and Recreation Projects	\$	<u>273,276</u>
Total Other Capital Projects Fund		<u>\$ 273,276</u>
Total Governmental Funds - Primary Government		<u>\$ 15,288,387</u>

Exhibit K-10

Smith County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Smith County School Department  
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,736,195	
Career Ladder Program	98,392	
Career Ladder Extended Contracts	26,367	
Educational Assistants	193,692	
Other Salaries and Wages	200	
Certified Substitute Teachers	27,788	
Non-certified Substitute Teachers	54,389	
Social Security	418,243	
State Retirement	433,964	
Medical Insurance	1,251,063	
Unemployment Compensation	2,740	
Employer Medicare	98,376	
Maintenance and Repair Services - Equipment	13,306	
Other Contracted Services	755	
Instructional Supplies and Materials	162,602	
Textbooks	301,187	
Other Supplies and Materials	8,622	
Fee Waivers	13,162	
Other Charges	123,942	
Regular Instruction Equipment	250,875	
Total Regular Instruction Program		\$ 10,215,860

Alternative Instruction Program

Teachers	\$ 41,404	
Career Ladder Program	1,000	
Career Ladder Extended Contracts	1,500	
Social Security	2,701	
State Retirement	2,740	
Medical Insurance	4,993	
Unemployment Compensation	13	
Employer Medicare	632	
Other Supplies and Materials	304	
Total Alternative Instruction Program		55,287

Special Education Program

Teachers	\$ 791,622
Career Ladder Program	8,978
Career Ladder Extended Contracts	2,000
Educational Assistants	50,284

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Speech Pathologist	\$	35,253	
Certified Substitute Teachers		1,238	
Non-certified Substitute Teachers		3,970	
Social Security		52,858	
State Retirement		54,563	
Medical Insurance		171,682	
Unemployment Compensation		405	
Employer Medicare		12,279	
Other Contracted Services		1,026	
Instructional Supplies and Materials		4,781	
Other Supplies and Materials		257	
Total Special Education Program			\$ 1,191,196

Vocational Education Program

Teachers	\$	504,871	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		1,000	
Certified Substitute Teachers		1,320	
Non-certified Substitute Teachers		4,172	
Social Security		29,975	
State Retirement		31,873	
Medical Insurance		108,372	
Unemployment Compensation		198	
Employer Medicare		7,010	
Instructional Supplies and Materials		10,382	
Other Charges		1,000	
Total Vocational Education Program			705,173

Support Services

Attendance

Supervisor/Director	\$	46,147	
Career Ladder Extended Contracts		4,000	
Social Workers		32,369	
Other Salaries and Wages		2,500	
Social Security		5,271	
State Retirement		5,305	
Medical Insurance		13,200	
Unemployment Compensation		27	
Employer Medicare		1,233	

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Travel	\$	3,028	
Other Contracted Services		448	
Other Supplies and Materials		666	
Attendance Equipment		4,217	
Total Attendance			\$ 118,411

Health Services

Medical Personnel	\$	126,150	
Other Salaries and Wages		15,345	
Social Security		8,146	
State Retirement		8,419	
Medical Insurance		24,757	
Unemployment Compensation		53	
Employer Medicare		1,905	
Communication		36	
Travel		7,362	
Drugs and Medical Supplies		135	
Other Supplies and Materials		10,579	
Health Equipment		20,373	
Total Health Services			223,260

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		244,194	
Career Ladder Extended Contracts		3,000	
Social Security		14,936	
State Retirement		16,460	
Medical Insurance		49,688	
Unemployment Compensation		80	
Employer Medicare		3,493	
Contracts with Government Agencies		66,070	
Evaluation and Testing		33,357	
Other Charges		4,110	
Total Other Student Support			440,388

Regular Instruction Program

Supervisor/Director	\$	89,708	
Career Ladder Program		5,200	
Career Ladder Extended Contracts		1,000	

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Librarians	\$	218,679	
Social Workers		578	
Instructional Computer Personnel		78,356	
Social Security		23,356	
State Retirement		23,836	
Medical Insurance		50,995	
Unemployment Compensation		133	
Employer Medicare		5,462	
Travel		19,881	
Other Contracted Services		54	
Library Books/Media		37,591	
Other Supplies and Materials		931	
In Service/Staff Development		25,484	
Other Charges		24	
Total Regular Instruction Program			\$ 581,268

Special Education Program

Supervisor/Director	\$	61,404	
Career Ladder Program		1,000	
Psychological Personnel		43,663	
Social Security		6,415	
State Retirement		6,619	
Medical Insurance		16,550	
Unemployment Compensation		27	
Employer Medicare		1,500	
Communication		74	
Travel		21,487	
Other Supplies and Materials		476	
In Service/Staff Development		500	
Other Charges		859	
Other Equipment		128	
Total Special Education Program			160,702

Vocational Education Program

Supervisor/Director	\$	50,341	
Clerical Personnel		5,889	
Social Security		3,486	
State Retirement		3,523	
Medical Insurance		5,449	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Unemployment Compensation	\$	18	
Employer Medicare		815	
Travel		4,106	
Other Supplies and Materials		1,357	
Total Vocational Education Program			\$ 74,984

Adult Programs

Supervisor/Director	\$	567	
Career Ladder Program		800	
Social Security		85	
State Retirement		50	
Unemployment Compensation		2	
Employer Medicare		20	
Total Adult Programs			1,524

Other Programs

On-Behalf Payments to OPEB	\$	80,176	
Total Other Programs			80,176

Board of Education

Secretary to Board	\$	1,208	
Board and Committee Members Fees		12,020	
Social Security		819	
State Retirement		75	
Medical Insurance		109	
Unemployment Compensation		23	
Employer Medicare		192	
Audit Services		5,600	
Contracts with Government Agencies		5,598	
Contracts with Private Agencies		10,664	
Dues and Memberships		7,649	
Legal Services		48,112	
Other Contracted Services		1,853	
Liability Insurance		27,891	
Premiums on Corporate Surety Bonds		768	
Trustee's Commission		97,144	
Workers' Compensation Insurance		72,653	
Criminal Investigation of Applicants - TBI		2,352	
Refund to Applicant for Criminal Investigation		2,580	

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Charges	\$ 3,858	
Total Board of Education		\$ 301,168

Director of Schools

County Official/Administrative Officer	\$ 82,974	
Social Security	5,144	
State Retirement	5,179	
Medical Insurance	5,396	
Unemployment Compensation	13	
Employer Medicare	1,203	
Communication	58,073	
Dues and Memberships	1,512	
Travel	4,196	
Other Charges	684	
Total Director of Schools		164,374

Office of the Principal

Principals	\$ 553,715	
Career Ladder Program	10,000	
Accountants/Bookkeepers	93,759	
Career Ladder Extended Contracts	11,500	
Assistant Principals	190,495	
Clerical Personnel	81,649	
Social Security	56,193	
State Retirement	58,711	
Medical Insurance	86,453	
Unemployment Compensation	353	
Employer Medicare	13,142	
Communication	4,050	
Dues and Memberships	2,934	
Other Contracted Services	793	
Other Charges	264	
Administration Equipment	9,389	
Total Office of the Principal		1,173,400

Fiscal Services

Accountants/Bookkeepers	\$ 92,294
Clerical Personnel	29,337
Social Security	7,490

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

State Retirement	\$	7,877	
Medical Insurance		20,684	
Unemployment Compensation		63	
Employer Medicare		1,752	
Data Processing Services		8,033	
Maintenance and Repair Services - Office Equipment		5,569	
Travel		696	
Other Contracted Services		750	
Office Supplies		9,142	
Administration Equipment		393	
Total Fiscal Services			\$ 184,080

Operation of Plant

Custodial Personnel	\$	311,056	
Other Salaries and Wages		655	
Social Security		18,881	
State Retirement		15,799	
Medical Insurance		342	
Unemployment Compensation		361	
Employer Medicare		4,416	
Contracts with Government Agencies		1,150	
Contracts with Private Agencies		19,662	
Maintenance and Repair Services - Equipment		65	
Pest Control		3,100	
Other Contracted Services		5,482	
Custodial Supplies		38,504	
Electricity		749,292	
Natural Gas		110,804	
Water and Sewer		54,885	
Other Supplies and Materials		11,989	
Boiler Insurance		1,184	
Building and Contents Insurance		36,833	
Other Charges		950	
Plant Operation Equipment		16,408	
Total Operation of Plant			1,401,818

Maintenance of Plant

Supervisor/Director	\$	57,533	
Maintenance Personnel		119,612	

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Other Salaries and Wages	\$	19,027	
Social Security		12,138	
State Retirement		12,530	
Medical Insurance		27,078	
Unemployment Compensation		89	
Employer Medicare		2,839	
Contracts with Government Agencies		382	
Contracts with Private Agencies		3,736	
Laundry Service		2,120	
Maintenance and Repair Services - Buildings		12,198	
Maintenance and Repair Services - Equipment		79,688	
Other Contracted Services		804	
Other Supplies and Materials		39,817	
Maintenance Equipment		2,000	
Total Maintenance of Plant			\$ 391,591

Transportation

Supervisor/Director	\$	35,870
Mechanic(s)		77,687
Bus Drivers		397,634
Other Salaries and Wages		14,976
Social Security		31,180
State Retirement		29,615
Medical Insurance		24,093
Unemployment Compensation		489
Employer Medicare		7,458
Communication		1,491
Contracts with Government Agencies		959
Contracts with Private Agencies		595
Contracts with Parents		701
Laundry Service		1,985
Maintenance and Repair Services - Equipment		615
Maintenance and Repair Services - Vehicles		20,992
Medical and Dental Services		2,050
Tow-in Services		2,872
Travel		759
Other Contracted Services		1,920
Diesel Fuel		172,896
Equipment and Machinery Parts		148

(Continued)

Exhibit K-10

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Garage Supplies	\$	2,333	
Gasoline		33,296	
Lubricants		7,181	
Tires and Tubes		20,817	
Vehicle Parts		66,833	
Gravel and Chert		1,134	
Other Supplies and Materials		2,818	
Vehicle and Equipment Insurance		32,514	
Other Charges		732	
Transportation Equipment		<u>166,471</u>	
Total Transportation			\$ 1,161,114

Operation of Non-Instructional Services

Food Service

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

Community Services

Supervisor/Director	\$	29,901	
Other Salaries and Wages		1,062	
Social Security		1,888	
State Retirement		1,919	
Medical Insurance		2,802	
Unemployment Compensation		11	
Employer Medicare		442	
Travel		1,401	
Other Supplies and Materials		228	
Other Charges		<u>841</u>	
Total Community Services			40,495

Early Childhood Education

Teachers	\$	177,572	
Educational Assistants		54,859	
Certified Substitute Teachers		339	
Non-certified Substitute Teachers		1,192	
Social Security		<u>13,931</u>	

(Continued)

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

State Retirement	\$	14,552	
Medical Insurance		40,257	
Unemployment Compensation		138	
Employer Medicare		3,258	
Travel		60	
Other Contracted Services		10,535	
Instructional Supplies and Materials		34,547	
Textbooks		210	
Other Supplies and Materials		73,129	
In Service/Staff Development		1,085	
Other Equipment		87,951	
Total Early Childhood Education			\$ 513,615

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	178,931	
Furniture and Fixtures		690	
Site Development		5,110	
Other Capital Outlay		5,467	
Total Regular Capital Outlay			190,198

Total General Purpose School Fund \$ 19,371,272

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	373,781	
Educational Assistants		19,982	
Certified Substitute Teachers		1,040	
Non-certified Substitute Teachers		2,565	
Social Security		23,759	
State Retirement		24,613	
Medical Insurance		71,038	
Unemployment Compensation		275	
Employer Medicare		5,558	
Instructional Supplies and Materials		5,423	
Other Supplies and Materials		1,042	
Other Charges		30	
Regular Instruction Equipment		23,981	
Total Regular Instruction Program			\$ 553,087

(Continued)

Exhibit K-10

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	32,634	
Educational Assistants		218,383	
Speech Pathologist		237	
Other Salaries and Wages		9,938	
Certified Substitute Teachers		1,037	
Non-certified Substitute Teachers		1,502	
Social Security		16,163	
State Retirement		15,607	
Medical Insurance		9,647	
Unemployment Compensation		492	
Employer Medicare		3,780	
Contracts with Private Agencies		137,138	
Other Contracted Services		5,755	
Instructional Supplies and Materials		22,021	
Textbooks		1,389	
Other Supplies and Materials		10,933	
Special Education Equipment		1,414	
Total Special Education Program			\$ 488,070

Vocational Education Program

Instructional Supplies and Materials	\$	10,872	
Vocational Instruction Equipment		33,434	
Total Vocational Education Program			44,306

Adult Education Program

Teachers	\$	22,856	
Social Security		1,391	
State Retirement		1,178	
Unemployment Compensation		47	
Employer Medicare		325	
Instructional Supplies and Materials		2,727	
Total Adult Education Program			28,524

Support Services

Other Student Support

Travel	\$	5,743	
Other Supplies and Materials		1,858	
In Service/Staff Development		2,500	
Other Charges		2,285	
Total Other Student Support			12,386

(Continued)

Exhibit K-10

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	55,677	
Social Security		3,447	
State Retirement		3,490	
Medical Insurance		5,449	
Unemployment Compensation		22	
Employer Medicare		806	
Travel		1,091	
Library Books/Media		4,755	
Other Supplies and Materials		2,165	
In Service/Staff Development		47,869	
Other Charges		400	
Other Equipment		1,079	
Total Regular Instruction Program			\$ 126,250

Special Education Program

Psychological Personnel	\$	8,795	
Assessment Personnel		50,509	
Clerical Personnel		18,141	
Social Security		4,452	
State Retirement		4,876	
Medical Insurance		14,109	
Unemployment Compensation		42	
Employer Medicare		1,041	
Communication		142	
Maintenance and Repair Services - Equipment		593	
Travel		2,555	
Other Supplies and Materials		6,540	
In Service/Staff Development		9,543	
Total Special Education Program			121,338

Adult Programs

Supervisor/Director	\$	49,151	
Other Salaries and Wages		11,384	
Social Security		3,695	
State Retirement		3,771	
Medical Insurance		7,249	
Unemployment Compensation		33	
Employer Medicare		843	
Communication		481	

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

Travel	\$	607	
In Service/Staff Development		750	
Other Charges		298	
Other Equipment		3,500	
Total Adult Programs			\$ 81,762

Transportation

Bus Drivers	\$	19,821	
Other Salaries and Wages		225	
Social Security		1,243	
State Retirement		1,292	
Unemployment Compensation		42	
Employer Medicare		291	
Contracts with Parents		10,191	
Transportation Equipment		16,024	
Total Transportation			\$ 49,129

Total School Federal Projects Fund \$ 1,504,852

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,344	
Accountants/Bookkeepers		29,523	
Cafeteria Personnel		492,591	
Other Salaries and Wages		1,596	
Social Security		34,998	
State Retirement		33,670	
Medical Insurance		11,577	
Unemployment Compensation		328	
Employer Medicare		8,365	
Communication		1,891	
Legal Notices, Recording, and Court Costs		18	
Maintenance and Repair Services - Equipment		16,828	
Pest Control		3,286	
Printing, Stationery, and Forms		838	
Travel		1,594	
Other Contracted Services		7,427	
Data Processing Supplies		2,218	

(Continued)

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Equipment and Machinery Parts	\$	12,037	
Food Supplies		750,657	
Office Supplies		428	
Uniforms		933	
Other Supplies and Materials		65,636	
In Service/Staff Development		1,627	
Refund to Applicant for Criminal Investigation		516	
Food Service Equipment		14,411	
Total Food Service			<u>\$ 1,541,337</u>

Total Central Cafeteria Fund \$ 1,541,337

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	15,233	
Other Contracted Services		700	
Building Construction		1,575,687	
Total Education Capital Projects			<u>\$ 1,591,620</u>

Total Education Capital Projects Fund 1,591,620

Total Governmental Funds - Smith County School Department \$ 24,009,081

Exhibit K-11

Smith County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2008

	Major Enterprise Fund <u>Solid Waste Disposal</u>
<hr/>	
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Tipping Fees	\$ 1,330,252
Total Operating Revenues	<u>\$ 1,330,252</u>
<u>Nonoperating Revenues</u>	
<u>Recurring Items</u>	
Sale of Recycled Materials	\$ 30,507
Miscellaneous Refunds	2,149
<u>Nonrecurring Items</u>	
Gain on Disposal of Property	2,011
Sale of Equipment	700
Grants	15,837
Total Nonoperating Revenue	<u>\$ 51,204</u>
Total Revenues	<u>\$ 1,381,456</u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 39,500
Salary Supplements	400
Longevity Pay	301
Overtime Pay	6,956
Other Salaries and Wages	197,991
In-Service Training	875
Social Security	17,965
State Retirement	13,848
Medical Insurance	8,140
Communication	3,289
Contracts with Private Agencies	7,104
Engineering Services	56,957
Maintenance and Repair Services - Equipment	105,107
Rentals	12,958
Other Contracted Services	72,219
Gasoline	161,819
Office Supplies	545
Utilities	6,710
Other Supplies and Materials	61,328
Building and Contents Insurance	1,037

(Continued)

Exhibit K-11

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

	Major Enterprise Fund
	<u>Solid Waste Disposal</u>
<hr/>	
<u>Expenses (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance (Cont.)</u>	
Liability Insurance	\$ 423
Trustee's Commission	13,345
Vehicle and Equipment Insurance	4,940
Workers' Compensation Insurance	47,052
Depreciation	177,794
Landfill Closure/Postclosure Care Costs	68,471
Building Construction	4,981
Site Development	89,906
Other Equipment	2,024
Total Operating Expenses	<u>\$ 1,183,985</u>
<u>Nonoperating Expenses</u>	
Interest on Notes	21,624
Interest on Other Loans	\$ 176,043
Total Nonoperating Expenses	<u>\$ 197,667</u>
Total Expenses	<u>\$ 1,381,652</u>

Exhibit K-12

Smith County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	<u>\$ 1,017,148</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,006,976
Trustee's Commission	10,172
Total Cash Disbursements	<u>\$ 1,017,148</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2007	<u>0</u>
Cash Balance, June 30, 2008	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT 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 37243-1402  
PHONE (615) 401-7841

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

June 12, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Smith County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Smith County's basic financial statements and have issued our report thereon dated June 12, 2009. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Smith County Emergency Communications District, a discretely presented component unit, and the Public Library Fund, a nonmajor special revenue fund, as described in our report on Smith County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Smith County'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 internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of Smith County'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: 08.01, 08.03, 08.04, 08.08, 08.09, 08.11, and 08.13.

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 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 material weaknesses. However, of the significant deficiencies described above, we consider item 08.03 to be a material weakness.

#### Compliance and Other Matters

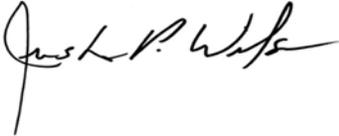
As part of obtaining reasonable assurance about whether Smith County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items: 08.02, 08.05, 08.06, 08.07, and 08.10.

We consider item 08.12 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over the financial operations. We also noted certain matters that we reported to management of Smith County 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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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 37243-1402  
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

June 12, 2009

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Smith County 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 its major federal programs for the year ended June 30, 2008. Smith County'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 its major federal programs is the responsibility of Smith County's management. Our responsibility is to express an opinion on Smith County'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 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 compliance with those requirements.

In our opinion, Smith County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Smith County 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 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 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

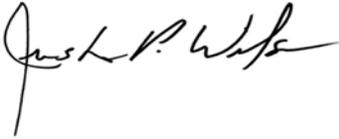
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Smith County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated June 12, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Smith County'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.

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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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Smith County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 109,254 (3)
Water and Waste Disposal Systems for Rural Communities	10.760	(2)	278,100
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	223,530
National School Lunch Program	10.555	N/A	619,500 (3)
Direct Program:			
Rural Business Enterprise Grant	10.769	N/A	40,000
Total U.S. Department of Agriculture			<u>\$ 1,270,384</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-08-023266-00	<u>\$ 400</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Dislocated Workers	17.260	(2)	<u>\$ 20,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	Z-07-035973-00	<u>\$ 4,965</u>
Appalachian Regional Commission:			
Passed-through State Department of Agriculture:			
Appalachian Regional Development Grant	23.001	N/A	<u>\$ 400,000</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-08-020823-00	\$ 76,895
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	503,794
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	649,860
Special Education - Preschool Grants	84.173	N/A	21,756
Career and Technical Education - Basic Grants to States	84.048	N/A	51,934
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	12,256
State Grants for Innovative Programs	84.298	N/A	5,767
Education Technology State Grants	84.318	(2)	4,203
Improving Teacher Quality State Grants	84.367	N/A	170,339
Total U.S. Department of Education			<u>\$ 1,496,804</u>
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	<u>\$ 24,214</u>
Total Expenditures of Federal Awards			<u>\$ 3,216,767</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
ACT-EXP - Internet Connectivity- State Department of Education	N/A	(2)	\$ 12,687
ACT-EXPLORE - State Department of Education	N/A	(2)	3,851
AGMS - Nutrition PE Equipment - State Department of Education	N/A	(2)	3,552
Coordinate School Health Initiative - State Department of Education	N/A	(2)	105,000
Early Childhood Education - Pilot - State Department of Education	N/A	(2)	272,493
Early Childhood Education - Voluntary Lottery - State Department of Education	N/A	(2)	181,661
Family Resource Center - State Department of Education	N/A	(2)	33,300
Safe Schools Act of 2003 - State Department of Education	N/A	(2)	17,600
Statewide Student Management System - State Department of Education	N/A	(2)	4,991
Health Department Programs - State Department of Health	N/A	Z-08-020386-00	3,307
Tobacco Cessation Grant - State Department of Health	N/A	GG-0823380	15,789
Adult Education - State Department of Labor and Workforce	N/A	Z-08-201251-00	13,351
Aging Program - Upper Cumberland Development District	N/A	(2)	13,224
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	55,334
Courtroom Security Funding - Administrative Office of the Courts	N/A	(2)	9,444
Juvenile Justice - State Commission on Children and Youth	N/A	Z-08-022809-00	6,750
Litter Program - State Department of Transportation	N/A	Z-08-021045-00	25,229
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	7,069
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	15,838
<b>Total State Grants</b>			<u>\$ 800,470</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$728,754.

Smith County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2008

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, for the year ended June 30, 2007, which have not been corrected.

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.14	22	Internal controls over evidence and seized property were not adequate

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.15	22	A central system of accounting, budgeting, and purchasing had not been adopted
07.16	23	Duties were not segregated adequately in the Offices of Road Commissioner, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**SMITH COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2008**

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

1. Our report on the financial statements of Smith County is unqualified.
2. The audit of the financial statements of Smith County disclosed significant deficiencies in internal control. One of these deficiencies was also considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Smith County.
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 Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and Appalachian Regional Development Grant (CFDA No. 23.001) 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 did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor and director of schools 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.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 08.01      **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE SOLID WASTE DISPOSAL FUND**** (Internal Control – Significant Deficiency Under Government Auditing Standards)

We noted the following deficiencies in the administration of the Solid Waste Disposal Fund. These deficiencies can be attributed in part to the lack of management oversight and the lack of technical skills to maintain accounting records in accordance with generally accepted accounting principles. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

- A. The Solid Waste Disposal Fund (enterprise fund) had a deficit of \$2,365,794 in unrestricted net assets at June 30, 2008. This deficit can be attributed in part to the finding (B) noted below.
- 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, from information obtained from records on file from the State Department of Environment and Conservation, that the estimated liability should have been increased by \$1,540,980 during the year ended June 30, 2008. 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. On September 14, 2007, construction on the Wright Tract Phase III in the Solid Waste Disposal Fund was completed; however, as of June 30, 2008, capital assets records still reflected the project as construction in progress totaling \$1,189,624.

### **RECOMMENDATION**

County officials should develop and implement a plan that would fund the deficit in unrestricted net assets, and they should provide the necessary oversight to ensure that the

capital assets records are accurately maintained in compliance with generally accepted accounting principles.

**MANAGEMENT’S RESPONSE – COUNTY MAYOR**

The landfill expansion of the Wright Tract Phase III fell into two budget years. The full amount of the contract was allocated over one year because it was signed in the year 2007-2008. This caused the fund to be over budget. Instead, the full amount of the contract should have been budgeted in the revenues and expenditures for the year 2007-2008 even though it fell into two different budget years. The estimated liability should have been corrected. Smith County will be working with the landfill director and engineers to ensure liabilities and assets are correctly reported for the landfill.

**FINDING 08.02      THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS  
(Noncompliance Under Government Auditing Standards)**

We noted the following deficiencies in the county’s budget operations:

- A. The Public Library and Special Purpose funds (special revenue funds) were not budgeted. This deficiency is a result of management’s decisions and resulted in unauthorized expenditures.
- B. Expenditures exceeded appropriations approved by the County Commission in the major appropriation categories (the legal level of control) of the following funds. These deficiencies exist because management failed to hold spending to the limit authorized by the County Commission, which resulted in unauthorized expenditures.

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
County Attorney	\$     20,718
Courthouse and Jail Maintenance:	
Other Operations - Miscellaneous	344
Capital Projects - Administration of Justice Projects	407,859
Education Debt Service:	
Other Debt Service - Education	606

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

## RECOMMENDATION

The Public Library and Special Purpose funds should be budgeted, and expenditures should be held within appropriations authorized by the County Commission.

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

- A. Smith County government has appropriated a contribution to the Smith County Library for many years, and the Smith County Library is not part of the Smith County government. The only thing that Smith County government pays for the library is the building insurance, utilities, and maintenance. In the future, Smith County government will request quarterly statements showing the expenses for the contribution to be broken down into different expenditures, and Smith County will budget those expenditures in the same way in the major category. The payment will be made to them with the invoice attached to the copy of the check. The Smith County Fair Fund is another part of this finding, and the Smith County Fair has applied for its 501C3 nonprofit status, then it will have its own identity, and the Smith County government will no longer make expenditures and receive revenues for the Smith County Fair. In the year 2009-2010, Smith County will have a budget for the Smith County Fair Fund.
- B. The amounts overspent in the General and Courthouse and Jail Maintenance funds resulted from accruing amounts owed at June 30, 2008, after the County Commission had met for the last time in 2007-08. The amount overspent in the Education Debt Service Fund resulted from receiving more revenue than anticipated, which increased the amount of trustee's commissions expensed to the fund.

## AUDITOR'S REBUTTAL TO MANAGEMENT'S RESPONSE PART A

The independent auditor's report on the Smith County Library System – Smith County Library Board Funds states on page four that the Smith County Library System is indeed a department of Smith County, Tennessee. Smith County has allowed the Smith County Library System to have authority over certain funds, primarily donations and interest income; however, the library is primarily funded by Smith County and is a department of Smith County.

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### FINDING 08.03

### **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF CAPITAL ASSETS RECORDS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of the capital assets records revealed the following deficiencies. These deficiencies can be attributed in part to the lack of management oversight and the lack of technical skills to maintain accounting records in accordance with generally accepted accounting principles. Audit adjustments were provided to and accepted by management to properly reflect capital assets in the financial statements of this report.

- A. On June 30, 2008, the county's capital assets records reflected construction in progress of \$13,234,228. However, supporting documentation revealed that construction in progress totaled \$3,667,226 at June 30, 2008, a discrepancy of \$9,567,001.
- B. Several assets that were below the county's capitalization threshold of \$10,000 had been included in the county's capital assets records.
- C. The county did not follow its capital assets policy concerning the useful life of certain assets. The policy established a useful life of 40 years for buildings and ten years for cars and light trucks; however, the county depreciates buildings using a useful life of 25 years and five years for cars and light trucks.

### RECOMMENDATION

Management should provide the necessary oversight to ensure that its capital assets records are accurately maintained. Only the capital assets that meet the county's capitalization threshold should be included in the capital assets records. Depreciation should be calculated based upon the county's capital assets policy.

### MANAGEMENT'S RESPONSE – COUNTY MAYOR

Even though Smith County's capital assets policy did meet the requirements of GASB Statement No. 34, there are still a few things that need to be fine tuned. The construction in process was valued at the completed value but should have been the value of the project at the close of the year. The capital assets records contained assets that cost less than \$10,000 for inventory tracking purposes; however, for external reporting purposes we should only report assets costing \$10,000 and above. Smith County will be more careful to ensure we comply with our policies.

---

### FINDING 08.04      **THE SOLID WASTE SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application allowed users to void or alter previously processed payments and charges without leaving an adequate audit trail. While there was an indication that the information was changed, evidence of the original information was not retained within the application. Sound business practices dictate that proper application controls be implemented. Since the vendor did not design the system with proper controls, inappropriate system activity could occur. Subsequent to the end of the audit period, the vendor implemented controls within the software so that an adequate audit trail is now maintained. When alterations to charges or payments are made, the original information is now recorded in an audit log.

---

## **OFFICE OF ROAD COMMISSIONER**

### **FINDING 08.05      **THE OFFICE HAD NOT ADOPTED A FORMAL TRAVEL POLICY AND DID NOT ACCOUNT FOR ACTUAL TRAVEL EXPENSES INCURRED****

(Noncompliance Under Government Auditing Standards)

We noted the following deficiencies in business related travel. These deficiencies are the result of management's decisions, which increase the risks of fraud and abuse.

- A. The Highway Department had not adopted formal policies and procedures governing travel reimbursements for its employees. Without a formal travel policy, employees have no limitations placed on their mileage, lodging, and meal expenses.
- B. The department did not require employees who received travel allowances to file itemized statements listing the actual miles traveled or other actual expenses incurred for which they were being compensated. Section 8-26-109, Tennessee Code Annotated, states in part "every state and county officer, who is authorized by law to incur official expenses which are to be paid by the state or any county or out of any public funds of any character, is directed and required to make out accurate, itemized statements of such expenses, showing date and amount of each separate item, and the purpose for which it was expended."

## **RECOMMENDATION**

The Highway Department should adopt formal policies and procedures for payment of travel expenses. These policies and procedures should establish maximum limits for the reimbursement of mileage, lodging, meals, and other travel expenses. In addition, any employee incurring business travel expenses should file itemized statements of such expenses as required by state statute.

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## **OFFICE OF DIRECTOR OF SCHOOLS**

### **FINDING 08.06      **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 (\$69,714) into an escrow account. Section 66-34-104, Tennessee Code Annotated, requires that funds withheld from contractor payments be deposited into an escrow account for contracts of \$500,000 or more. Management advised that they were not aware that amounts withheld from contractor payments had to be deposited into an escrow account. This noncompliance could result in the loss of interest earnings for the contractor.

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

Future contracts that reach the \$500,000 amount will have escrow accounts set up.

---

FINDING 08.07      **EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in major appropriation categories (the legal level of control) of the following funds. These deficiencies exist because management failed to hold spending to the limit authorized by the County Commission, which resulted in unauthorized expenditures.

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General Purpose School:	
Instruction - Regular Instruction Program	\$ 92,013
Instruction - Special Education Program	10,796
Instruction - Vocational Education Program	963
School Federal Projects:	
Support Services - Adult Programs	1,932

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The overage resulted from underestimating liabilities for health insurance from the 2007 fiscal year. The School Department will track these funds more closely in the future.

---

**OFFICE OF COUNTY CLERK**

**FINDING 08.08**      **FUNDS TOTALING \$819.04 WERE STOLEN**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

On May 7, 2008, the county clerk discovered that a break-in had occurred in his office, and \$819.04 had been stolen from the office vault. The county clerk requested an investigation by the City of Carthage Police Department and contacted auditors. On September 16, 2008, the county received payment from the county’s insurance carrier. The case is still under investigation.

**RECOMMENDATION**

Officials should periodically perform risk assessments to enhance office policies and procedures related to the safeguarding of assets.

---

**OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND REGISTER**

**FINDING 08.09**      **THE OFFICES DID NOT REVIEW SOFTWARE AUDIT LOGS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software applications used by the Offices of Circuit and General Sessions Court Clerk and Register generated daily logs that displayed changes made by users. Since these logs provided the only audit trail of these changes, they should be reviewed daily for inappropriate activity. Since they did not understand the importance of the logs, management did not review the logs during the audit period. Procedures for reviewing these logs are currently in place.

---

**OFFICE OF SHERIFF**

**FINDING 08.10**      **THE EXTENSION OF AN INMATE TELEPHONE CONTRACT WAS NOT APPROVED BY THE COUNTY COMMISSION**  
(Noncompliance Under Government Auditing Standards)

On October 2, 2007, the sheriff signed a two-year extension to an inmate telephone contract with Pay Tel Communications, Inc. This contract extension was not approved by the County Commission as required by Section 7-51-904, Tennessee Code Annotated. Management advised that they were not aware of this statute.

**RECOMMENDATION**

All contract extensions should be approved by the County Commission in compliance with state statute.

---

**FINDING 08.11      INTERNAL CONTROLS OVER EVIDENCE AND SEIZED PROPERTY WERE NOT ADEQUATE**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The Sheriff's Department maintains evidence and seized property in a locked storage room. A log book was present; however, the log book reflected only a few entries. Therefore, we were unable to determine if the office properly accounted for all the property. The failure to adequately inventory evidence and seized property is the result of management's failure to correct the finding noted in the prior-year audit report and increases the risk of property loss.

**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.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 08.12      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. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

**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 - COUNTY MAYOR**

Smith County is under the budget law of 1983, which has a separate office function for Smith County general government, Smith County School Department, and the Smith County Highway Department. Even though this would simplify work for these three offices, we have not discussed this change.

---

FINDING 08.13

**DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE AMBULANCE SERVICE DEPARTMENT AND THE OFFICES OF ROAD COMMISSIONER, 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 in the Ambulance Service Department and the Offices of Road Commissioner, 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. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Smith County agrees that one way we can improve segregation of duties within the Ambulance Service Department is for the clerk at the Ambulance Service to receive payments, enter the payments into a report, then bring the report and the payments to the Office of County Mayor where it is checked. The funds would then be taken to the Trustee's Office. At the end of the month, the Finance Department would balance the report and funds with the Trustee's Office.

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

There were no findings and questioned costs for federal awards.

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**SMITH COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2008**

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