
ANNUAL FINANCIAL REPORT SMITH COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



**ANNUAL FINANCIAL REPORT
SMITH COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2010**

*DEPARTMENT OF AUDIT
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This financial report is available at www.tn.gov/comptroller

SMITH COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Smith County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Proprietary Fund:		
Statement of Net Assets	D-1	25
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	26
Statement of Cash Flows	D-3	27-28
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	29
Notes to the Financial Statements		30-72
REQUIRED SUPPLEMENTARY INFORMATION:		73
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	74-77
Courthouse and Jail Maintenance Fund	F-2	78
Ambulance Service Fund	F-3	79
Highway/Public Works Fund	F-4	80
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Smith County School Department	F-5	81

	Exhibit	Pages
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Smith County School Department	F-6	82
Notes to the Required Supplementary Information		83-84
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		85
Nonmajor Governmental Funds:		86-87
Combining Balance Sheet	G-1	88-89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	90-91
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	G-3	92
Special Purpose Fund	G-4	93
Drug Control Fund	G-5	94
General Debt Service Fund	G-6	95
Major Governmental Fund:		96
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Education Debt Service Fund	H	97
Fiduciary Funds:		98
Combining Statement of Fiduciary Assets and Liabilities	I-1	99
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	100
Component Unit:		
Discretely Presented Smith County School Department:		101
Statement of Activities	J-1	102
Balance Sheet – Governmental Funds	J-2	103
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	104
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	105
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	106
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	108
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-8	109-110
School Federal Projects Fund	J-9	111
Central Cafeteria Fund	J-10	112

	Exhibit	Pages
Miscellaneous Schedules:		113
Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds	K-1	114-116
Schedule of Long-term Debt Requirements by Year	K-2	117-120
Schedule of Notes Receivable	K-3	121
Schedule of Transfers – Primary Government and Discretely Presented Smith County School Department	K-4	122
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Smith County School Department	K-5	123
Schedule of Detailed Revenues – All Governmental Fund Types	K-6	124-133
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Smith County School Department	K-7	134-135
Schedule of Detailed Expenditures – All Governmental Fund Types	K-8	136-157
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Smith County School Department	K-9	158-171
Schedule of Detailed Revenues and Expenses – Proprietary Fund	K-10	172-173
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	K-11	174
 <u>SINGLE AUDIT SECTION</u>		 175
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		176-178
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		179-181
Schedule of Expenditures of Federal Awards and State Grants		182-183
Schedule of Audit Findings Not Corrected		184-185
Schedule of Findings and Questioned Costs		186-200
Auditee Reporting Responsibilities		201

Audit Highlights

Annual Financial Report
Smith County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the basic financial statements of Smith County as of and for the year ended June 30, 2010.

Results

Our report on the county's governmental activities financial statements expresses an adverse opinion due to not including the fair value of a derivative instrument on the government-wide financial statements. Our report on the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in 16 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 and Best Practices

The following are summaries of the audit findings and best practices:

OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS

- ◆ Smith County and the Smith County School Department did not account for ARRA funds separately from other county funds.

OFFICE OF COUNTY MAYOR

- ◆ Smith County did not determine and report the fair value of a derivative instrument in accordance with generally accepted accounting principles.
- ◆ Material audit adjustments were required for proper financial statement presentation of several funds and the capital asset records.
- ◆ Fund deficits were noted in several funds administered by the office.
- ◆ Deficiencies were noted in budget operations.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ The office had not adopted a formal travel policy.
- ◆ The office did not review software audit logs generated by the Solid Waste Disposal Fund.

OFFICE OF ROAD COMMISSIONER

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation.
 - ◆ A truck and tools valued at \$10,930 were stolen from the Highway Department.
 - ◆ Appropriations exceeded estimated available funding.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Competitive bids were not solicited for the purchase of insurance.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The office did not deposit some funds within three days of collection.
 - ◆ The execution docket trial balance for Circuit and General Sessions Courts did not reconcile with general ledger accounts.
-

OFFICE OF SHERIFF

- ◆ Internal controls over evidence and seized property were not adequate.
-

OTHER FINDING

- ◆ Duties were not segregated adequately in the Ambulance Service Department and the Offices of County Mayor, Road Commissioner, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
-

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Smith County.

- Smith County should adopt a central system of accounting, budgeting, and purchasing.
- Smith County should establish an Audit Committee.

INTRODUCTORY SECTION

Smith County Officials

June 30, 2010

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
Thomas Dillehay, Clerk and Master
Jerri Lin Vaden, Register
Ronald Lankford, Sheriff

Board of County Commissioners

Michael Nesbitt, County Mayor, Chairman	
Carolyn Boles	Sabra Hodge
Richard Brimm	Barbara Kannapel
Ronnie Bussell	Kenneth Massey
Ronald Cowan	Joseph Nixon
Daniel Cripps	Earl North
Phillip Enoch	C.D. Poindexter
Frank Gibbs	Leslie Proffitt
James Gibbs, Jr.	James Winfree
Ricky Gibbs	Jeffery Winfree
David Gross	Billy Woodard
Billy Halliburton	Michael Woodard
Vernon Hesson	Darryl York

Board of Education

Larry Taylor Wilkerson, Chairman
Shane Campbell
Richard Fulton
Sonja Hammond
Tommy Manning
Pat Massey
Karen Shoulders
Scotty Yeaman

FINANCIAL SECTION



**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
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INDEPENDENT AUDITOR'S REPORT

February 17, 2011

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, 2010, 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 1.5 percent of the assets and 2.9 percent of the revenues of the aggregate remaining fund information. We also did not audit the financial statements of the Smith County Emergency Communications District, which represent 1.7 percent of the assets and 1.1 percent of the 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 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.

The financial statements referred to above for the governmental activities are materially misstated because Smith County did not determine and report the fair value of a derivative instrument held by the county on the governmental activities financial statements at June 30, 2010, as required by Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments.

In our opinion, based on our audit and the reports of other auditors, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Smith County, Tennessee, as of June 30, 2010, and the changes in financial position for the year then ended.

Additionally, 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 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, 2010, 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 February 17, 2011, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

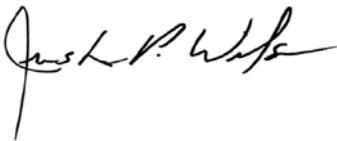
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages

74 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Education Debt Service Fund, 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 Education Debt Service Fund, 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

BASIC FINANCIAL STATEMENTS

Exhibit A

Smith County, Tennessee
Statement of Net Assets
June 30, 2010

	Primary Government		Component Units		
	Governmental Activities	Business-type Activities	Total	Smith County School Department	Smith County Emergency Communications District
ASSETS					
Cash	\$ 53,909	\$ 0	\$ 53,909	\$ 0	\$ 243,326
Equity in Pooled Cash and Investments	4,346,616	322,450	4,669,066	3,942,300	0
Accounts Receivable	1,235,952	157,592	1,393,544	335	7,776
Allowance for Uncollectibles	(285,517)	(2,295)	(287,812)	0	0
Due from Other Governments	567,701	2,760	570,461	391,659	7,446
Prepaid Items	0	0	0	0	989
Property Taxes Receivable	3,854,928	0	3,854,928	3,209,752	0
Allowance for Uncollectible Property Taxes	(194,186)	0	(194,186)	(161,686)	0
Notes Receivable	70,000	0	70,000	0	0
Deferred Charges - Debt Issuance Costs	8,075	0	8,075	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,039,935	2,052,484	3,092,419	1,226,738	30,000
Construction in Progress	9,122,350	0	9,122,350	0	0
Intangible Assets - Indefinite Life	1,009,865	0	1,009,865	0	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	5,099,790	56,609	5,156,399	30,360,032	115,320
Infrastructure	13,943,339	0	13,943,339	106,156	0
Other Capital Assets	2,790,838	528,592	3,319,430	1,461,012	303,476
Landfill Facilities and Development	0	1,832,131	1,832,131	0	0
Total Assets	\$ 42,663,595	\$ 4,950,323	\$ 47,613,918	\$ 40,536,298	\$ 708,333
LIABILITIES					
Accounts Payable	\$ 2,172	\$ 11,226	\$ 13,398	\$ 58,750	\$ 5,337
Accrued Payroll	2,884	0	2,884	2,080	0
Payroll Deductions Payable	32,560	603	33,163	548,048	0
Accrued Interest Payable	387,224	0	387,224	0	0
Contracts Payable	171,112	0	171,112	0	0
Due to State of Tennessee	7,721	1,767	9,488	76	0
Deferred Revenue - Current Property Taxes	3,506,054	0	3,506,054	2,919,267	0
Noncurrent Liabilities:					
Due Within One Year	2,322,700	189,786	2,512,486	36,167	0
Due in More Than One Year	28,704,435	5,068,377	33,772,812	285,189	0
Total Liabilities	\$ 35,136,862	\$ 5,271,759	\$ 40,408,621	\$ 3,849,577	\$ 5,337

(Continued)

Exhibit A

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

	Primary Government		Component Units	
	Business-type		Smith	Smith County
	Governmental Activities	Activities	School Department	Emergency Communications District
		Total		
Invested in Capital Assets,				
Net of Related Debt	\$ 17,285,329	\$ 1,916,269	\$ 19,201,598	\$ 448,796
Invested in Capital Assets	0	0	0	0
Restricted for:				
Capital Projects	711,571	0	711,571	0
General Debt Service	489,132	0	489,132	0
Education Debt Service	1,202,270	0	1,202,270	0
Highway/Public Works	452,212	0	452,212	0
Courthouse and Jail Maintenance	462,194	0	462,194	0
Drug Control	62,041	0	62,041	0
Public Library	52,612	0	52,612	0
Ambulance Service	612,515	0	612,515	0
Solid Waste/Sanitation	14,203	0	14,203	0
School Federal Projects	0	0	0	0
Central Cafeteria	0	0	0	0
Basic Education Program	0	0	0	0
Other Purposes	165,357	0	165,357	0
Unrestricted	(13,982,800)	(2,237,705)	(16,220,505)	254,200
Total Net Assets (Deficit)	\$ 7,526,636	\$ (321,436)	\$ 7,205,200	\$ 702,996

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, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Smith County School Department	Smith County Emergency Communications District
Primary Government:									
Governmental Activities:									
General Government	\$ 1,041,377	\$ 213,187	\$ 312,380	\$ 0	\$ (515,810)	\$ 0	\$ (515,810)	\$ 0	\$ 0
Finance	494,557	428,698	5,703	0	(60,156)	0	(60,156)	0	0
Administration of Justice	1,025,236	397,647	9,400	5,021	(613,168)	0	(613,168)	0	0
Public Safety	2,801,861	152,437	126,744	4,320	(2,518,360)	0	(2,518,360)	0	0
Public Health and Welfare	1,414,222	1,217,624	(977)	25,469	(172,106)	0	(172,106)	0	0
Social, Cultural, and Recreational Services	456,842	198,695	25,293	95,613	(137,241)	0	(137,241)	0	0
Agriculture and Natural Resources	111,916	0	2,560	0	(109,356)	0	(109,356)	0	0
Other Operations	945,884	26,112	0	122,243	(797,529)	0	(797,529)	0	0
Highways/Public Works	2,255,410	8,211	1,456,178	103,405	(687,616)	0	(687,616)	0	0
Interest on Long-term Debt	1,441,512	0	0	0	(1,441,512)	0	(1,441,512)	0	0
Other Debt Service	70,103	0	0	0	(70,103)	0	(70,103)	0	0
Total Governmental Activities	\$ 12,058,920	\$ 2,642,611	\$ 1,937,281	\$ 356,071	\$ (7,122,957)	\$ 0	\$ (7,122,957)	\$ 0	\$ 0
Business-type Activities:									
Solid Waste Disposal	\$ 970,252	\$ 1,309,677	\$ 10,326	\$ 0	\$ 0	\$ 349,751	\$ 349,751	\$ 0	\$ 0
Total Business-type Activities	\$ 970,252	\$ 1,309,677	\$ 10,326	\$ 0	\$ 0	\$ 349,751	\$ 349,751	\$ 0	\$ 0
Total Primary Government	\$ 13,029,172	\$ 3,952,288	\$ 1,947,607	\$ 356,071	\$ (7,122,957)	\$ 349,751	\$ (6,773,206)	\$ 0	\$ 0
Component Units:									
School Department	\$ 24,323,151	\$ 646,984	\$ 3,105,353	\$ 16,760	\$ 0	\$ 0	\$ 0	\$ (20,554,054)	\$ 0
Emergency Communications District	189,882	221,411	0	0	0	0	0	0	31,529
Total Component Units	\$ 24,513,033	\$ 868,395	\$ 3,105,353	\$ 16,760	\$ 0	\$ 0	\$ 0	\$ (20,554,054)	\$ 31,529

(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	Primary Government		Component Units	
				Governmental Activities	Business-type Activities	Smith County School Department	Smith County Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 2,730,184	\$ 0	\$ 2,969,054	\$ 0
Property Taxes Levied for Debt Service				835,638	0	0	0
Local Option Sales Taxes				1,146,750	0	1,289,276	0
Wheel Tax				1,096,249	0	0	0
Litigation Tax				105,425	0	0	0
Business Tax				93,839	0	0	0
Mineral Severance Tax				59,809	0	0	0
Wholesale Beer Tax				58,594	0	0	0
Other Local Taxes				53,405	0	888	0
Grants and Contributions Not Restricted to Specific Purposes				710,034	0	16,640,774	40,744
Interest Income				139,520	0	11,550	0
Miscellaneous				65,019	3,990	51,494	7,912
Sale of Equipment				14,462	0	4,645	0
Sale of Materials and Supplies				0	51,629	0	1,352
Total General Revenues				\$ 7,108,928	\$ 55,619	\$ 20,967,681	\$ 50,008
Insurance Recovery				\$ 7,800	\$ 4,300	\$ 4,993	\$ 0
Transfers				355,000	(355,000)	0	0
Change in Net Assets				\$ 348,771	\$ 54,670	\$ 418,620	\$ 81,557
Prior-period Adjustments				0	(308,883)	0	0
Net Assets (Deficit), July 1, 2009				7,177,865	(67,223)	36,268,101	621,459
Net Assets (Deficit), June 30, 2010				\$ 7,526,636	\$ (321,436)	\$ 36,686,721	\$ 702,996

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, 2010

	Major Funds					Nonmajor Funds		Total Governmental Funds
	Courthouse and Jail Maintenance	Ambulance Service	Highway / Public Works	Education Debt Service	Other Governmental Funds			
\$	0	0	0	0	0	0	0	53,909
Cash	1,080,523	194,768	137,407	1,451,941	1,413,424	0	0	4,346,616
Equity in Pooled Cash and Investments	39,569	266,194	0	0	168	0	0	1,235,952
Accounts Receivable	0	0	0	0	0	0	0	(285,517)
Allowance for Uncollectibles	197,232	0	286,481	83,988	0	0	0	567,701
Due from Other Governments	501	1,232	22,858	0	0	0	0	24,591
Due from Other Funds	2,758,128	0	193,553	419,365	483,882	0	0	3,854,928
Property Taxes Receivable	(138,936)	0	(9,750)	(21,125)	(24,375)	0	0	(194,186)
Allowance for Uncollectible Property Taxes	0	0	0	0	10,000	0	0	10,000
Notes Receivable - Current	0	0	0	0	60,000	0	0	60,000
Notes Receivable - Long-term	0	0	0	0	0	0	0	0
Total Assets	\$ 3,937,017	\$ 462,194	\$ 713,057	\$ 1,934,169	\$ 1,997,008	\$ 1,997,008	\$ 1,997,008	\$ 9,673,994

ASSETS

LIABILITIES AND FUND BALANCES

\$	1,208	0	0	0	0	0	0	964	2,172
Accounts Payable	2,884	0	0	0	0	0	0	0	2,884
Accrued Payroll	30,665	0	1,781	0	0	0	0	114	32,560
Payroll Deductions Payable	0	0	0	0	0	0	0	171,112	171,112
Contracts Payable	0	0	0	0	0	0	0	24,591	24,591
Due to Other Funds	0	0	0	0	0	0	0	1,916	7,721
Due to State of Tennessee	2,508,516	0	3,504	2,301	0	0	0	440,090	3,506,054
Deferred Revenue - Current Property Taxes	104,430	0	0	176,036	381,412	0	0	18,321	145,958
Deferred Revenue - Delinquent Property Taxes	50,501	0	579,116	7,329	15,878	0	0	0	802,140
Other Deferred Revenues	2,698,204	0	584,401	127,827	44,696	0	0	657,108	4,695,192
Total Liabilities	\$ 115,318	\$ 940,998	\$ 73,202	\$ 0	\$ 0	\$ 0	\$ 0	\$ 586,628	\$ 1,716,146
Fund Balances	53,984	0	0	0	0	0	0	0	53,984
Reserved for Encumbrances	0	371,900	0	0	0	0	0	0	371,900
Reserved for Alcohol and Drug Treatment	0	0	0	0	0	0	0	0	0
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	0	0

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Courthouse and Jail Maintenance	Ambulance Service	Highway / Public Works	Education Debt Service	Other	Governmental Funds	
Fund Balances (Cont.)								
Reserved for Sexual Offender Registration	\$ 176	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	176
Reserved for Courtroom Security	7,724	0	0	0	0	0	0	7,724
Reserved for Computer System - Register	8,735	0	0	0	0	0	0	8,735
Reserved for Automation Purposes - Juvenile Court	4,065	0	0	0	0	0	0	4,065
Reserved for Automation Purposes - Chancery Court	3,545	0	0	0	0	0	0	3,545
Reserved for Automation Purposes - Sheriff	11,171	0	0	0	0	0	0	11,171
Reserved for Long-term Notes Receivable	0	0	0	0	0	0	60,000	60,000
Reserved for Capital Outlay	75,957	0	0	0	0	0	0	75,957
Reserved for Other General Purposes	0	118,633	0	0	0	0	0	118,633
Unreserved, Reported In:								
General Fund	958,138	0	0	0	0	0	0	958,138
Special Revenue Funds (Deficit)	0	(969,337)	55,454	317,056	0	117,152	0	(479,675)
Debt Service Funds	0	0	0	0	1,492,183	439,473	0	1,931,656
Capital Projects Funds	0	0	0	0	0	136,647	0	136,647
Total Fund Balances	\$ 1,238,813	\$ 462,194	\$ 128,656	\$ 317,056	\$ 1,492,183	\$ 1,339,900	\$ 1,339,900	\$ 4,978,802
Total Liabilities and Fund Balances	\$ 3,937,017	\$ 462,194	\$ 713,057	\$ 630,549	\$ 1,934,169	\$ 1,997,008	\$ 1,997,008	\$ 9,673,994

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, 2010

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)		\$ 4,978,802
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,039,935	
Add: construction in progress	9,122,350	
Add: intangible assets - indefinite life	1,009,865	
Add: buildings and improvements net of accumulated depreciation	5,099,790	
Add: infrastructure net of accumulated depreciation	13,943,339	
Add: other capital assets net of accumulated depreciation	<u>2,790,838</u>	33,006,117
(2) Long-term liabilities are not due and payable in the current-period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (16,573,961)	
Less: notes payable	(2,836,415)	
Less: other loans payable	(11,385,412)	
Less: compensated absences payable	(186,893)	
Less: other postemployment benefits liability	(44,551)	
Less: accrued interest on bonds	(356,701)	
Less: accrued interest on notes	(30,523)	
Add: deferred charges - debt issuance costs	<u>8,075</u>	(31,406,381)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>948,098</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 7,526,636</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, 2010

	Major Funds						Nonmajor Funds		Total Governmental Funds
	Courthouse and Jail Maintenance		Ambulance Service	Highway / Public Works	Education Debt Service	Other			
	General					Governmental Funds			
<u>Revenues</u>									
Local Taxes	\$ 3,539,678	\$ 326,671	\$ 0	\$ 244,538	\$ 1,730,099	\$ 463,826	\$ 6,304,812		
Licenses and Permits	73,490	0	0	0	0	1,628	75,118		
Fines, Forfeitures, and Penalties	24,535	964	0	0	0	26,566	52,065		
Charges for Current Services	63,146	0	877,708	0	0	28,470	969,324		
Other Local Revenues	263,027	0	7,785	8,735	0	180,429	459,976		
Fees Received from County Officials	888,295	0	0	0	0	0	888,295		
State of Tennessee	762,873	0	0	1,560,511	0	103,431	2,426,815		
Federal Government	85,568	5,021	0	0	0	51,675	142,264		
Other Governments and Citizens Groups	62,234	0	0	0	296,000	54,812	413,046		
Total Revenues	\$ 5,762,846	\$ 332,656	\$ 885,493	\$ 1,813,784	\$ 2,026,099	\$ 910,837	\$ 11,731,715		
<u>Expenditures</u>									
Current:									
General Government	\$ 963,110	\$ 22,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 985,310		
Finance	492,105	0	0	0	0	0	492,105		
Administration of Justice	465,446	0	0	0	0	4,979	470,425		
Public Safety	2,672,274	0	0	0	0	3,143	2,675,417		
Public Health and Welfare	128,010	0	1,042,824	0	0	274,845	1,445,679		
Social, Cultural, and Recreational Services	137,040	0	0	0	0	90,162	227,202		
Agriculture and Natural Resources	111,916	0	0	0	0	0	111,916		
Other Operations	713,473	8,307	0	0	0	102,152	823,932		
Highways	0	0	0	1,986,620	0	0	1,986,620		
Debt Service:									
Principal on Debt	143,293	22,535	0	51,179	1,030,000	501,533	1,748,540		
Interest on Debt	64,361	252,910	0	3,281	798,762	95,197	1,214,511		
Other Debt Service	0	28,138	0	0	22,207	19,333	69,678		
Capital Projects	0	5,627,404	0	0	0	483,644	6,111,048		
Total Expenditures	\$ 5,891,028	\$ 5,961,494	\$ 1,042,824	\$ 2,041,080	\$ 1,850,969	\$ 1,574,988	\$ 18,362,383		
Excess (Deficiency) of Revenues Over Expenditures	\$ (128,182)	\$ (5,628,838)	\$ (157,331)	\$ (227,296)	\$ 175,130	\$ (664,151)	\$ (6,630,668)		

(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	Courthouse and Jail Maintenance	Ambulance Service	Highway / Public Works	Education Debt Service	Other Governmental Funds	Governmental Funds		
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 140,869	\$ 0	\$ 74,000	\$ 0	\$ 0	\$ 1,000,000	\$ 0	\$ 1,214,869	
Other Loans Issued	0	5,626,599	0	0	0	0	0	5,626,599	
Insurance Recovery	0	0	0	7,800	0	0	0	7,800	
Transfers In	7,880	0	0	136,617	0	460,720	0	605,217	
Transfers Out	(65,720)	0	(40,000)	0	0	(144,497)	0	(250,217)	
Total Other Financing Sources (Uses)	\$ 83,029	\$ 5,626,599	\$ 34,000	\$ 144,417	\$ 0	\$ 1,316,223	\$ 0	\$ 7,204,268	
Net Change in Fund Balances	\$ (45,153)	\$ (2,239)	\$ (123,331)	\$ (82,879)	\$ 175,130	\$ 652,072	\$ 0	\$ 573,600	
Fund Balance, July 1, 2009	1,283,966	464,433	251,987	399,935	1,317,053	687,828	0	4,405,202	
Fund Balance, June 30, 2010	\$ 1,238,813	\$ 462,194	\$ 128,656	\$ 317,056	\$ 1,492,183	\$ 1,339,900	\$ 0	\$ 4,978,802	

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, 2010

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)		\$ 573,600
(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	\$ 5,359,016	
Less: current year depreciation expense	<u>(514,079)</u>	4,844,937
(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	\$ (7,987)	
Less: decrease of revenue for the sale or insurance recovery of disposed assets	<u>(2,660)</u>	(10,647)
(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, 2009	\$ (632,262)	
Add: deferred delinquent property taxes and other deferred June 30, 2010	<u>948,098</u>	315,836
(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	\$ (1,214,869)	
Less: other loan proceeds	(5,626,599)	
Add: principal payments on bonds	1,083,856	
Add: principal payments on notes	443,176	
Add: principal payments on capital leases	121,518	
Add: principal payments on other loans	99,990	
Less: debt issuance costs on debt issued in prior years	<u>(425)</u>	(5,093,353)
(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	\$ (227,001)	
Change in compensated absences payable	(18,596)	
Change in other postemployment benefits liability	<u>(36,005)</u>	(281,602)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 348,771</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, 2010

Business-type
 Activities -
 Major
 Enterprise
 Fund

 Solid
 Waste
 Disposal
 Fund

ASSETS

Current Assets:	
Equity in Pooled Cash and Investments	\$ 322,450
Accounts Receivable	157,592
Allowance for Uncollectibles	(2,295)
Due from Other Governments	2,760
Total Current Assets	<u>\$ 480,507</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 2,052,484
Assets Net of Accumulated Depreciation:	
Landfill Facilities and Development	1,832,131
Buildings and Improvements	56,609
Machinery and Equipment	528,592
Total Noncurrent Assets	<u>\$ 4,469,816</u>
Total Assets	<u>\$ 4,950,323</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 11,226
Payroll Deductions Payable	603
Due to State of Tennessee	1,767
Capital Outlay Notes Payable	77,778
Capital Leases Payable - Current	76,187
Other Loans Payable	24,435
Accrued Liability for Landfill Closure/Postclosure Care Costs	11,386
Total Current Liabilities	<u>\$ 203,382</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 2,693,230
Capital Outlay Notes Payable	466,666
Other Loans Payable	1,908,481
Total Noncurrent Liabilities	<u>\$ 5,068,377</u>
Total Liabilities	<u>\$ 5,271,759</u>

NET ASSETS

Invested in Capital Assets, net of related debt	\$ 1,916,269
Unrestricted	<u>(2,237,705)</u>
Total Net Assets (Deficit)	<u>\$ (321,436)</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, 2010

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>Operating Revenues</u>	
Licenses and Permits	\$ 600
Charges for Current Services	1,309,677
Total Operating Revenues	<u>\$ 1,310,277</u>
<u>Operating Expenses</u>	
Other Waste Collection	\$ 14,168
Landfill Operations and Maintenance	638,562
Depreciation Expense	204,813
Total Operating Expenses	<u>\$ 857,543</u>
Operating Income (Loss)	<u>\$ 452,734</u>
<u>Nonoperating Revenues (Expenses)</u>	
Sale of Materials and Supplies	\$ 248
Sale of Recycled Materials	51,381
Miscellaneous Refunds	3,990
Grants Received	9,726
Insurance Recovery	4,300
Interest on Notes	(24,559)
Interest on Capital Lease	(5,250)
Interest on Loans	(82,900)
Total Nonoperating Revenues (Expenses)	<u>\$ (43,064)</u>
Income (Loss) Before Transfers	\$ 409,670
Transfers Out	<u>(355,000)</u>
Change in Net Assets	\$ 54,670
Prior-period Adjustment	(308,883)
Net Assets (Deficit), July 1, 2009	<u>(67,223)</u>
Net Assets (Deficit), June 30, 2010	<u>\$ (321,436)</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, 2010

	Business-type Activities - Major Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,291,079
Payments to Suppliers	(346,606)
Payments to Employees	(280,037)
Other Receipts (Payments)	(13,091)
Net Cash Provided By (Used In) Operating Activities	<hr/> 651,345 <hr/>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	\$ 9,726
Transfers to Other Funds	(355,000)
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> \$(345,274) <hr/>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Sale of Materials and Supplies	\$ 248
Sale of Recycled Materials	51,381
Insurance Recovery	4,300
Principal Paid on Capital Outlay Note	(77,778)
Principal Paid on Capital Lease	(73,606)
Principal Paid on Other Loan	(23,420)
Interest Paid on Capital Outlay Note	(24,559)
Interest Paid on Capital Lease	(5,250)
Interest Paid on Other Loan	(82,900)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<hr/> \$(231,584) <hr/>
Net Increase (Decrease) in Cash	\$ 74,487
Cash, July 1, 2009	<hr/> 247,963 <hr/>
Cash, June 30, 2010	<hr/> \$ 322,450 <hr/>

(Continued)

Exhibit D-3

Smith County, Tennessee
Statement of Cash Flows
Proprietary Funds (Cont.)

	Business-type Activities - Major Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 452,734
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	204,813
(Increase) Decrease in Accounts Receivable, Net	(16,438)
(Increase) Decrease in Due from Other Governments	(2,760)
Increase (Decrease) in Accounts Payable	11,226
Increase (Decrease) in Due to State of Tennessee	1,767
Increase (Decrease) in Payroll Deductions Payable	<u>3</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 651,345</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,357,430
Due from Other Governments	<u>193,025</u>
Total Assets	<u><u>\$ 1,550,455</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 193,025
Due to Litigants, Heirs, and Others	<u>1,357,430</u>
Total Liabilities	<u><u>\$ 1,550,455</u></u>

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

SMITH COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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.

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, the proprietary fund (enterprise fund), 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 (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues

are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Courthouse and Jail Maintenance Fund – This 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.

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

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

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

Smith County reports the following major enterprise fund:

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

Additionally, Smith County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in 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 fund 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 type:

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and 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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds 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. 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. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.7 percent of total taxes levied.

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

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns 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 employees to accumulate unused vacation days beyond year-end. The county clerk permits employees to accumulate earned but unused vacation benefits beyond year-end. 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 beyond year-end. 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 other postemployment benefits, 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, 2010, Smith County had \$15,075,000 in outstanding debt for capital purposes for the discretely presented Smith County 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 had a designation of \$29,101 for a traffic school on June 30, 2010.

7. Prior-period Adjustments

Closure/postclosure care costs were restated \$308,883 due to an increase in the estimated liability reflected on the financial statements of 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 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 County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/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 Courthouse and Jail Maintenance Fund had a deficit in unreserved fund balance of \$969,337 at June 30, 2010. This deficit resulted from the unperformed portions of construction contracts of \$940,998 being reserved as encumbrances and \$28,339 from the failure of management to maintain expenditures within available resources. Funding to liquidate this deficit is expected to be received through future litigation tax collections and other loans.

The General Capital Projects Fund had a deficit in unreserved fund balance of \$358,539 at June 30, 2010. This deficit resulted from the unperformed portions of construction contracts of \$196,889 being reserved as encumbrances and from management's failure to recognize contracts payable totaling \$171,112 at June 30, 2010. An audit adjustment was accepted by management to properly reflect contracts payable in the financial statements of this report. Funding to liquidate this deficit is expected to be received through future grant revenues and contributions.

The Solid Waste Disposal Fund had a deficit of \$2,237,705 in unrestricted net assets at June 30, 2010. This deficit resulted from the recognition of a liability of \$2,704,616 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

The EMS Building Projects Fund (capital projects fund) had a deficit of \$374,878 in unreserved fund balance as of June 30, 2010. This deficit resulted from the unperformed portion of a construction contract totaling \$378,035 being reserved as an encumbrance in the financial statements of this report. Funding for these future expenditures should be received subsequent to year-end.

C. Cash Shortages: Prior and Current Years

The audit of Smith County for the 2008-09 year reported a cash shortage of \$4,084.54 in the Highway Department. On October 8, 2009, Highway Department employees discovered that tools and miscellaneous items totaling \$4,084.54 were stolen from several highway trucks parked near the shop building. The keys to highway vehicles were in the ignition with the doors unlocked; however, no vehicles were stolen. The City of Gordonsville Police

Department investigated the theft. On November 23, 2009, the department's insurance carrier paid the department \$3,584.54, which is less a \$500 deductible.

On March 15, 2010, Highway Department employees discovered that a 2002 Dodge truck valued at \$7,800 and miscellaneous items totaling \$3,130 were stolen from department property. Locks had been cut on the gate to the property and on toolboxes on several trucks parked near the shop building. Accounting standards provide that internal controls be designed to safeguard assets. The Highway Department did not have written procedures directing employees how to secure the vehicles left overnight; however, in November 2010, the department implemented written procedures. The City of Gordonsville Police Department investigated the theft. In April and May 2010, the department's insurance carrier made two payments to the department totaling \$10,430, which is less a \$500 deductible.

D. Expenditures and Encumbrances Exceeded Appropriations

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Judicial Commissioners	\$ 79
County Coroner/Medical Examiner	1,994
Courthouse and Jail Maintenance:	
Other Operations - Miscellaneous	256
Drug Control:	
Drug Enforcement	127
General Debt Service:	
Other Debt Service - General Government	228
Education Debt Service:	
Other Debt Service - Education	1,107

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the Courthouse and Jail Maintenance Fund and by available fund balances in the noted 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 reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2010.

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 totaling \$70,000 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, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 2,053,174	\$ 0	\$ (1,013,239)	\$ 1,039,935
Construction in Progress	4,862,905	5,102,952	(843,507)	9,122,350
Intangible Assets - Indefinite Life	0	1,013,239	(3,374)	1,009,865
Total Capital Assets Not Depreciated	\$ 6,916,079	\$ 6,116,191	\$ (1,860,120)	\$ 11,172,150
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,127,594	\$ 843,507	\$ 0	\$ 5,971,101
Infrastructure	20,213,892	0	0	20,213,892
Other Capital Assets	4,303,096	256,064	(32,525)	4,526,635
Total Capital Assets Depreciated	\$ 29,644,582	\$ 1,099,571	\$ (32,525)	\$ 30,711,628
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 727,792	\$ 143,519	\$ 0	\$ 871,311
Infrastructure	6,060,417	210,136	0	6,270,553
Other Capital Assets	1,600,625	160,424	(25,252)	1,735,797
Total Accumulated Depreciation	\$ 8,388,834	\$ 514,079	\$ (25,252)	\$ 8,877,661

Governmental Activities (Cont.):

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Total Capital Assets				
Depreciated, Net	\$ 21,255,748	\$ 585,492	\$ (7,273)	\$ 21,833,967
Governmental Activities				
Capital Assets, Net	\$ 28,171,827	\$ 6,701,683	\$ (1,867,393)	\$ 33,006,117

Business-type Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Not Depreciated:			
Land	\$ 2,052,484	\$ 0	\$ 2,052,484
Total Capital Assets Not Depreciated	\$ 2,052,484	\$ 0	\$ 2,052,484
Capital Assets Depreciated:			
Landfill Facilities and Development	\$ 2,313,068	\$ 0	\$ 2,313,068
Buildings and Improvements	74,039	0	74,039
Other Capital Assets	1,517,944	3,194	1,521,138
Total Capital Assets Depreciated	\$ 3,905,051	\$ 3,194	\$ 3,908,245
Less Accumulated Depreciation For:			
Landfill Facilities and Development	\$ 399,980	\$ 80,957	\$ 480,937
Buildings and Improvements	15,810	1,620	17,430
Other Capital Assets	870,310	122,236	992,546
Total Accumulated Depreciation	\$ 1,286,100	\$ 204,813	\$ 1,490,913
Total Capital Assets Depreciated, Net	\$ 2,618,951	\$ (201,619)	\$ 2,417,332
Business-type Activities Capital Assets, Net	\$ 4,671,435	\$ (201,619)	\$ 4,469,816

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

Governmental Activities:

General Government	\$ 21,726
Public Safety	119,331
Public Health and Welfare	33,225
Social, Cultural, and Recreational Services	74,381
Highway/Public Works	<u>265,416</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 514,079</u>

Business-type Activities:

Solid Waste Disposal	<u>\$ 204,813</u>
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Discretely Presented Smith County School Department**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 1,226,738	\$ 0	\$ 0	\$ 1,226,738
Total Capital Assets Not Depreciated	<u>\$ 1,226,738</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,226,738</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 39,052,541	\$ 0	\$ 0	\$ 39,052,541
Infrastructure	129,000	0	0	129,000
Other Capital Assets	2,388,055	336,551	(94,438)	2,630,168
Total Capital Assets Depreciated	<u>\$ 41,569,596</u>	<u>\$ 336,551</u>	<u>\$ (94,438)</u>	<u>\$ 41,811,709</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 7,822,138	\$ 870,371	\$ 0	\$ 8,692,509
Infrastructure	19,619	3,225	0	22,844
Other Capital Assets	1,095,210	163,662	(89,716)	1,169,156
Total Accumulated Depreciation	<u>\$ 8,936,967</u>	<u>\$ 1,037,258</u>	<u>\$ (89,716)</u>	<u>\$ 9,884,509</u>
Total Capital Assets Depreciated, Net	<u>\$ 32,632,629</u>	<u>\$ (700,707)</u>	<u>\$ (4,722)</u>	<u>\$ 31,927,200</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,859,367</u>	<u>\$ (700,707)</u>	<u>\$ (4,722)</u>	<u>\$ 33,153,938</u>

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

Governmental Activities:

Instruction	\$ 855,810
Support Services	<u>181,448</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,037,258</u>

D. Construction Commitments

At June 30, 2010, the Courthouse and Jail Maintenance Fund had uncompleted construction contracts of approximately \$940,998 for the construction of a jail. Funding for these future expenditures is expected to be received through future litigation tax collections and other loans.

At June 30, 2010, the General Capital Projects Fund had uncompleted construction contracts of approximately \$196,889 for the Rails to Trails Project. Funding for these future expenditures is expected to be received through grant revenues and contributions.

At June 30, 2010, the EMS Building Projects Fund (capital projects fund) had uncompleted construction contracts of approximately \$378,035 for the construction of an emergency management building. Funding for these future expenditures is expected to be received through community development grant funds and note proceeds.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 501
Courthouse and Jail Maintenance	"	1,232
Highway/Public Works	"	22,858
Discretely Presented Smith County School Department:		
General Purpose School	Nonmajor governmental	409
Nonmajor governmental	General Purpose School	28

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, 2010, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In		
	General Fund	Highway/ Public Works Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 0	\$ 65,720
Ambulance Service Fund	0	0	40,000
Solid Waste Disposal	0	0	355,000
Nonmajor governmental funds	7,880	136,617	0
Total	\$ 7,880	\$ 136,617	\$ 460,720

Discretely Presented Smith County School Department

Transfer Out	Transfer In General Purpose School Fund
Nonmajor governmental funds	\$ 6,426

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.

F. Capital Leases

Business-type Activities

On November 10, 2008, Smith County entered into a two-year lease-purchase agreement for a trash compactor. The terms of this agreement call for total lease payments of \$228,650 plus interest at 3.45 percent. The lease payments are made from the Solid Waste Disposal Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30	Enterprise Fund
2011	\$ 78,858
Total Minimum Lease Payments	\$ 78,858
Less: Amount Representing Interest	<u>(2,671)</u>
Present Value of Minimum Lease Payments	<u>\$ 76,187</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 39 years for bonds, up to 12 years for notes, and up to 22 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, 2010, will be retired from the General, Courthouse and Jail Maintenance, Highway/Public Works, General Debt Service, and Education Debt Service funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Obligation Bonds	3 to 5.5	% \$ 24,497,200	\$ 3,773,961
General Obligation Bonds - Refunding	5	12,800,000	12,800,000
Capital Outlay Notes	3.3 to 4.4	3,642,956	2,836,415
Other Loans	Variable	11,773,252	11,385,412

In prior years, Smith County entered into loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned \$1,250,000 to Smith County for the construction of a senior/career center and an agriculture center, and

\$1,378,599 for the construction of a head start facility and a jail facility. 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, 2010, the variable interest rate for each of these loans was .44 percent and each was subject to a remarketing fee of .08 percent and a trustee fee of \$85 per month. Letter of credit fees totaled .45 percent on the \$1,250,000 loan and .25 percent on the \$1,378,599 loan at June 30, 2010.

Also, in the prior year, Smith County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority will make available \$10,000,000 to Smith County on an as-needed basis for construction of a jail facility. At June 30, 2010, the county had borrowed \$9,144,653 of the \$10,000,000 loan. This type of loan would normally be 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. However, the county entered into an interest rate collar agreement for this loan that sets an interest rate floor of 2.9 percent and a ceiling of five percent; therefore, the interest rate paid by the county will always fall in this range regardless of the variable rate determined by the market. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2010, the interest rate was .39 percent; however, because of the floor set by the collar agreement, the county's interest rate was 2.9 percent and all calculations in this report will be based on that rate. Other fees based on the outstanding loan principal at June 30, 2010, totaled approximately .24 percent (letter of credit), .09 percent (remarketing), and a trustee fee of \$85 per month.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 754,302	\$ 101,705	\$ 856,007
2012	685,459	75,615	761,074
2013	618,255	50,705	668,960
2014	141,678	30,998	172,676
2015	141,678	25,318	166,996
2016-2020	495,043	50,736	545,779
Total	\$ 2,836,415	\$ 335,077	\$ 3,171,492

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 405,290	\$ 275,054	\$ 42,636	\$ 722,980
2012	425,700	265,842	41,189	732,731
2013	444,240	256,146	39,668	740,054
2014	465,900	245,999	38,086	749,985
2015	487,690	235,339	36,428	759,457
2016-2020	2,802,530	997,343	154,540	3,954,413
2021-2025	3,529,620	639,654	100,242	4,269,516
2026-2029	2,824,442	192,033	28,863	3,045,338
Total	<u>\$ 11,385,412</u>	<u>\$ 3,107,410</u>	<u>\$ 481,652</u>	<u>\$ 14,974,474</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,121,275	\$ 816,185	\$ 1,937,460
2012	1,148,359	760,663	1,909,022
2013	1,170,538	707,086	1,877,624
2014	1,282,814	651,809	1,934,623
2015	1,360,191	587,932	1,948,123
2016-2020	7,840,557	1,855,308	9,695,865
2021-2025	2,113,306	270,811	2,384,117
2026-2030	384,383	87,907	472,290
2031-2035	61,572	36,042	97,614
2036-2040	76,872	20,742	97,614
2041-2043	14,094	4,031	18,125
Total	<u>\$ 16,573,961</u>	<u>\$ 5,798,516</u>	<u>\$ 22,372,477</u>

There is \$439,473 available in the General Debt Service Fund and \$1,492,183 in the Education Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$938, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$1,743, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities

	Notes	Other Loans	Bonds
Balance, July 1, 2009	\$ 2,064,722	\$ 5,858,803	\$ 17,657,817
Additions	1,214,869	5,626,599	0
Deductions	(443,176)	(99,990)	(1,083,856)
Balance, June 30, 2010	<u>\$ 2,836,415</u>	<u>\$ 11,385,412</u>	<u>\$ 16,573,961</u>
Balance Due Within One Year	<u>\$ 754,302</u>	<u>\$ 405,290</u>	<u>\$ 1,121,275</u>

	Capital Leases	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 121,518	\$ 168,297	\$ 8,546
Additions	0	41,930	43,020
Deductions	(121,518)	(23,334)	(7,015)
Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 186,893</u>	<u>\$ 44,551</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 41,930</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 31,027,135
Less: Due Within One Year	<u>(2,322,700)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 28,704,435</u>

Compensated absences will be paid from the employing funds, primarily the General 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, 2010, 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, 2010, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 77,778	\$ 21,284	\$ 99,062
2012	77,778	18,009	95,787
2013	77,778	14,735	92,513
2014	77,778	11,461	89,239
2015	77,778	8,186	85,964
2016-2017	155,554	6,548	162,102
Total	<u>\$ 544,444</u>	<u>\$ 80,223</u>	<u>\$ 624,667</u>

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2011	\$ 24,435	\$ 81,885	\$ 106,320
2012	25,494	80,826	106,320
2013	26,599	79,721	106,320
2014	27,752	78,569	106,321
2015	28,954	77,366	106,320
2016-2020	164,716	366,884	531,600
2021-2025	203,640	327,960	531,600
2026-2030	251,760	279,840	531,600
2031-2035	311,250	220,350	531,600
2036-2040	384,800	146,800	531,600
2041-2045	475,730	55,870	531,600
2046	7,786	58	7,844
Total	<u>\$ 1,932,916</u>	<u>\$ 1,796,129</u>	<u>\$ 3,729,045</u>

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2010, was as follows:

Business-type Activities:

	Notes	Other Loans
Balance, July 1, 2009	\$ 622,222	\$ 1,956,336
Deductions	(77,778)	(23,420)
Balance, June 30, 2010	<u>\$ 544,444</u>	<u>\$ 1,932,916</u>
Balance Due Within One Year	<u>\$ 77,778</u>	<u>\$ 24,435</u>

	Capital Lease	Closure/ Postclosure Care Costs
Balance, July 1, 2009	\$ 149,793	\$ 2,395,733
Additions	0	308,883
Deductions	(73,606)	0
Balance, June 30, 2010	<u>\$ 76,187</u>	<u>\$ 2,704,616</u>
Balance Due Within One Year	<u>\$ 76,187</u>	<u>\$ 11,386</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 5,258,163
Less: Due Within One Year	<u>(189,786)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,068,377</u>

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, 2010, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2009	\$ 55,674	\$ 235,790
Additions	40,757	209,561
Deductions	(36,847)	(183,579)
Balance, June 30, 2010	<u>\$ 59,584</u>	<u>\$ 261,772</u>
Balance Due Within One Year	<u>\$ 36,167</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 321,356
Less: Due Within One Year	<u>(36,167)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 285,189</u>

H. Pledges of Receivables and Future Revenues

Wheel Tax Revenues Pledged

In 2008, Smith County voters approved an additional \$15 increase in the local wheel tax that was allocated 100 percent for the repayment of county indebtedness related to the jail construction. The tax will terminate 20 years from the date of debt issue or as soon as indebtedness is paid off. The other loans issued by Smith County in 2007 and 2008 totaling \$10,674,186 to provide financing for jail construction are payable through 2027.

Debt obligation schedules include annual principal, interest, and various other loan fee payments over the next 20 years. For the current year, principal, interest, and other loan fees paid by the Courthouse and Jail Maintenance Fund for the jail building programs totaled \$303,583.

I. On-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, 2010, were \$69,804 and \$18,095, 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 (TCA), all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by 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, 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

Provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance, nonfinancial in nature, and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be reported as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Note IV.C., Capital Assets, describes intangible assets activity of Smith County for the year ending June 30, 2010. The School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the cost of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Smith County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective)

derivative instruments are reported in the Statement of Net Assets as deferrals.

In 2008, Smith County entered into an interest rate collar agreement for its \$10 million public building authority loan for jail construction. This agreement is a derivative instrument that was entered into to hedge against rising interest rates and sets an interest rate floor of 2.9 percent and a ceiling of five percent on the loan. At June 30, 2010, the county had not determined or recorded the fair value of this derivative instrument on its government-wide financial statements as required by GASB Statement No. 53.

C. Subsequent Events

On July 9, 2010, the county issued capital outlay notes for the Ambulance Service Fund totaling \$60,000 to purchase heart monitors and for the EMS Building Projects Fund totaling \$112,500 for building construction.

On July 23, 2010, the county's Education Debt Service Fund issued a \$500,000 revenue anticipation note to the General Capital Projects Fund for temporary operating funds.

On August 31, 2010, Jimmy Norris left the Office of County Clerk and was succeeded by Clifa Norris, and Ronald Lankford left the Office of Sheriff and was succeeded by Steve Hopper.

On September 3, 2010, the county's Education Debt Service Fund issued a \$100,000 revenue anticipation note to the Ambulance Service Fund for temporary operating funds.

Ralph Coble, Road Commissioner, died on January 17, 2011. Steve Coble was appointed to fill the unexpired term on January 24, 2011.

As of the date of the auditor's report, Smith County had requested draws of \$855,347 from the \$10,000,000 jail facility loan from the Montgomery County Public Building Authority.

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. Change in Administration

Dianna Dillehay retired from the Office of Clerk and Master on December 31, 2009, and was succeeded by Thomas Dillehay.

F. Landfill Closure/Postclosure Care Costs

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

State and federal laws and regulations require Smith County to place a final cover on its operating sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,704,616 reported as landfill closure and postclosure care liability at June 30, 2010, represents the cumulative amount reported to date based on 98 percent use of the estimated capacity of the operating landfill (\$2,537,139) and for a landfill closed in 1999 (\$167,477). The \$2,588,918 reported as closure and postclosure care liability at June 30, 2010, represents the net amount reported to date based on what it would cost to perform all postclosure care in 2010. The county will recognize the remaining estimated costs of closure and postclosure care of \$51,779 on the operating landfill as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. 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, 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, 2010, 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

H. 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 2009-10 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

I. 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 (TCA). 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/PS/.

Funding Policy

Smith County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 6.47 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, 2010, Smith County's annual pension cost of \$406,858 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$406,858	100%	\$0
6-30-09	398,778	100	0

6-30-08

378,903

100

0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 88.11 percent funded. The actuarial accrued liability for benefits was \$12.82 million, and the actuarial value of assets was \$11.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.52 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.08 million, and the ratio of the UAAL to the covered payroll was 25.08 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The TCRS uses the frozen entry age actuarial cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

School Teachers

Plan Description

The 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 SETHEPP. 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/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 percent of annual covered payroll. The employer contribution requirement for the 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, 2010, 2009, and 2008, were \$722,887, \$722,336, and \$683,663, respectively, equal to the required contributions for each year.

J. Other Postemployment Benefits (OPEB)

Plan Description

Smith County and the School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for local education employees and Section 8-27-207, TCA, for local governments. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local

government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, Smith County and the School Department contributed \$7,015 and \$183,579, respectively, to other postemployment benefits.

In prior years, the schedules below have included a separate column under the primary government for employees of the county's landfill (enterprise fund). In the latest actuarial study, all information on the county's primary government employees were combined; therefore, the information in the primary government column below reflects the governmental activities and the business-type activities of Smith County.

Annual OPEB Cost and Net OPEB Obligation

	Primary Government	School Department
	Local Government Group Plan	Local Education Group Plan
ARC	\$ 43,000	\$ 209,000
Interest on the NPO	384	10,611
Adjustment to the ARC	(364)	(10,050)
Annual OPEB cost	\$ 43,020	\$ 209,561
Amount of contribution	(7,015)	(183,579)
Increase/decrease in NPO	\$ 36,005	\$ 25,982
Net OPEB obligation, 7-1-09	8,546	235,790
Net OPEB obligation, 6-30-10	\$ 44,551	\$ 261,772

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
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Primary Government

6-30-08	Local Government Group	\$ 14,727	72%	\$ 4,440
6-30-09	"	14,424	67	9,172
6-30-10	"	43,020	16	44,551

Discretely Presented Smith
County School Department

6-30-08	Local Education Group	248,186	61	96,297
6-30-09	"	251,387	45	235,790
6-30-10	"	209,561	88	261,772

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Primary Government	School Department
	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 379	\$ 2,169
Actuarial value of plan assets	0	0
Unfunded actuarial accrued liability (UAAL)	379	2,169
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	4,125	12,798
UAAL as a % of covered payroll	9%	17%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The Local Education Plan had an annual healthcare cost trend rate of four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Each rate includes a

three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

K. 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 do 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 are 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 collectible 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 and certificates of deposit with original maturities of 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 fund balance 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 balance sheet, 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 of 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 fund does not carry insurance for their activities. Based on discussion with the 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 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, 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 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:

	Method	Estimated Useful Life in Years	2010 Depreciation
Land Improvements	S/L	10 - 15	\$ 440
Buildings and Improvements	S/L	10 - 40	2,740
Communications Equipment	S/L	5 - 12	52,450
Furniture and Fixtures	S/L	5 - 10	1,901
Office Equipment	S/L	5 - 15	2,837
Vehicles	S/L	5 - 10	<u>5,763</u>
Total Depreciation			<u>\$ 66,131</u>

4. Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges. Nonoperating revenue consists of interest income, a contract with Upper Cumberland Electric Membership Corporation 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, 2010:

	Balance 6-30-10
Checking - Citizens Bank	\$ 173,406
Money Market - Citizens Bank	39,920
Certificate of Deposit - Citizens Bank	<u>30,000</u>
Total Cash	<u>\$ 243,326</u>

At June 30, 2010, the carrying amount of the district's cash deposits was \$243,326. The district's deposit accounts are covered up to \$250,000 by the Federal Deposit Insurance Corporation. Any amounts over \$250,000 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, Tennessee Code Annotated.

C. Bonding

The district had a bond covering certain members of the board at June 30, 2010. 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, 2010:

<u>Assets</u>	Cost	Accumulated Depreciation	Net
<u>Non-Depreciable</u>			
Land	\$ 30,000	\$ 0	\$ 30,000
<u>Depreciable</u>			
Land Improvements	\$ 4,804	\$ 440	\$ 4,364
Buildings and Improvements	118,060	2,740	115,320
Communication Equipment	458,644	187,608	271,036
Furniture and Fixtures	12,293	1,901	10,392
Office Equipment	39,994	31,915	8,079
Vehicle	28,814	19,209	9,605
Total Depreciable	<u>\$ 662,609</u>	<u>\$ 243,813</u>	<u>\$ 418,796</u>
Total Assets	<u>\$ 692,609</u>	<u>\$ 243,813</u>	<u>\$ 448,796</u>

<u>Assets</u>	Balance 7-1-09	Additions	Retirements	Balance 6-30-10
<u>Non-Depreciable</u>				
Land	\$ 0	\$ 30,000	\$ 0	\$ 30,000
Construction in Progress	237,852	0	(237,852)	0
Total Non-Depreciable	<u>\$ 237,852</u>	<u>\$ 30,000</u>	<u>\$ (237,852)</u>	<u>\$ 30,000</u>
<u>Depreciable</u>				
Land Improvements	\$ 0	\$ 4,804	\$ 0	\$ 4,804
Buildings/Improvements	0	118,060	0	118,060
Communication Equip.	306,463	218,101	(65,920)	458,644
Furniture and Fixtures	0	12,293	0	12,293
Office Equipment	41,020	1,869	(2,895)	39,994
Vehicle	28,814	0	0	28,814
Total Depreciable	<u>\$ 376,297</u>	<u>\$ 355,127</u>	<u>\$ (68,815)</u>	<u>\$ 662,609</u>
Total Assets	<u>\$ 614,149</u>	<u>\$ 385,127</u>	<u>\$ (306,667)</u>	<u>\$ 692,609</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	\$	1,986
UCEMC Contract		2,770
AT&T Telephone Co-op		<u>3,020</u>
Subtotal	\$	7,776
State Emergency Communications Board		<u>7,446</u>
Total	\$	<u><u>15,222</u></u>

G. Compensated Absences

There were no employees at June 30, 2010.

H. Invested in Capital Assets, Net of Related Debt

Total Non-current Assets	\$	<u>448,796</u>
Invested in Capital Assets	\$	<u><u>448,796</u></u>

I. Budgetary Information

The district must file a budget with Smith County each year, which must be legally adopted by the county. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted budget is required at the program level as well as the object level.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,539,678	\$ 0	\$ 0	\$ 3,539,678	\$ 3,453,614	\$ 3,453,614	\$ 86,064
Licenses and Permits	73,490	0	0	73,490	66,500	66,500	6,990
Fines, Forfeitures, and Penalties	24,535	0	0	24,535	51,575	51,575	(27,040)
Charges for Current Services	63,146	0	0	63,146	67,250	70,350	(7,204)
Other Local Revenues	263,027	0	0	263,027	271,361	311,493	(48,466)
Fees Received from County Officials	888,295	0	0	888,295	915,200	915,200	(26,905)
State of Tennessee	762,873	0	0	762,873	710,220	730,615	32,258
Federal Government	85,568	0	0	85,568	17,000	84,403	1,165
Other Governments and Citizens Groups	62,234	0	0	62,234	66,800	66,832	(4,598)
Total Revenues	\$ 5,762,846	\$ 0	\$ 0	\$ 5,762,846	\$ 5,619,520	\$ 5,750,582	\$ 12,264
<u>Expenditures</u>							
General Government							
County Commission	\$ 35,608	\$ 0	\$ 311	\$ 35,919	\$ 31,901	\$ 36,251	\$ 332
Board of Equalization	1,740	0	0	1,740	2,100	2,100	360
County Mayor/Executive	168,582	0	254	168,836	170,390	169,644	808
County Attorney	47,934	0	0	47,934	39,200	53,200	5,266
Election Commission	104,618	(643)	4,948	108,923	123,260	119,260	10,337
Register of Deeds	135,394	0	0	135,394	141,113	141,113	5,719
Planning	11,625	0	0	11,625	13,750	13,750	2,125
Codes Compliance	78,745	(55)	1,548	80,238	81,965	83,139	2,901
County Buildings	378,864	(2,779)	4,204	380,289	341,804	386,923	6,634
<u>Finance</u>							
Property Assessor's Office	143,537	0	412	143,949	148,530	149,035	5,086
Reappraisal Program	15,972	0	0	15,972	16,843	16,843	871

(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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Trustee's Office	\$ 135,119	\$ 0	\$ 0	\$ 135,119	\$ 136,394	\$ 136,394	\$ 1,275
County Clerk's Office	197,477	(22)	548	198,003	200,127	200,127	2,124
<u>Administration of Justice</u>							
Circuit Court	240,965	0	335	241,300	251,519	251,519	10,219
General Sessions Judge	98,547	0	200	98,747	103,007	100,854	2,107
Chancery Court	103,128	(248)	393	103,273	108,929	108,929	5,656
Judicial Commissioners	20,706	0	0	20,706	18,474	20,627	(79)
Other Administration of Justice	2,100	0	0	2,100	2,100	2,100	0
<u>Public Safety</u>							
Sheriff's Department	1,662,218	(14,112)	44,053	1,692,159	1,657,949	1,791,389	99,230
Traffic Control	1,076	0	0	1,076	1,440	1,440	364
Jail	187,801	(15,288)	18,625	191,138	267,233	252,031	60,893
Correctional Incentive Program Improvements	367,007	0	0	367,007	415,771	377,672	10,665
Juvenile Services	33,734	0	0	33,734	36,774	36,774	3,040
Fire Prevention and Control	119,724	(5,343)	12,961	127,342	258,719	162,619	35,277
Rescue Squad	30,000	0	0	30,000	30,000	30,000	0
Other Emergency Management	34,279	(5,354)	3,647	32,572	33,171	34,671	2,099
Inspection and Regulation	2,584	0	0	2,584	2,584	2,584	0
County Coroner/Medical Examiner	28,335	0	1,649	29,984	37,240	27,990	(1,994)
Other Public Safety	205,516	0	0	205,516	199,551	208,286	2,770
<u>Public Health and Welfare</u>							
Local Health Center	21,219	0	0	21,219	20,576	22,176	957
Other Local Health Services	52,206	(169)	78	52,115	57,605	55,705	3,590
Appropriation to State	13,772	0	0	13,772	13,772	13,772	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:		Add:	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2009 Encumbrances	6/30/2010 Encumbrances			Original	Final	
<u>Expenditures (Cont.)</u>								
<u>Public Health and Welfare (Cont.)</u>								
Aid to Dependent Children	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,470	\$ 1,470	\$ 1,470	\$ 1,470
Other Local Welfare Services	5,000	0	0	5,000	5,000	5,000	5,000	0
Waste Pickup	26,866	(300)	600	27,166	29,237	33,737	33,737	6,571
Other Public Health and Welfare	8,947	0	0	8,947	5,600	62,100	62,100	53,153
<u>Social, Cultural, and Recreational Services</u>								
Senior Citizens Assistance	46,154	(431)	1,224	46,947	51,428	49,428	49,428	2,481
Libraries	0	0	0	0	65,720	0	0	0
Parks and Fair Boards	54,012	(350)	8,068	61,730	64,000	63,698	63,698	1,968
Other Social, Cultural, and Recreational	36,874	0	0	36,874	14,900	39,900	39,900	3,026
<u>Agriculture and Natural Resources</u>								
Agriculture Extension Service	56,479	0	0	56,479	57,641	57,641	57,641	1,162
Soil Conservation	11,000	0	0	11,000	11,000	11,000	11,000	0
Other Agriculture and Natural Resources	44,437	0	11,260	55,697	27,530	63,603	63,603	7,906
<u>Other Operations</u>								
Tourism	505	0	0	505	1,270	1,270	1,270	765
Industrial Development	1,146	0	0	1,146	10,831	10,831	10,831	9,685
Other Economic and Community Development	32,867	0	0	32,867	32,867	32,867	32,867	0
Veterans' Services	10,779	0	0	10,779	11,254	11,254	11,254	475
Other Charges	208,821	0	0	208,821	204,315	208,822	208,822	1
Employee Benefits	41,554	0	0	41,554	44,468	47,548	47,548	5,994
Miscellaneous	417,801	(1,570)	0	416,231	371,132	490,129	490,129	73,898
<u>Principal on Debt</u>								
General Government	143,293	0	0	143,293	0	143,293	143,293	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 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Interest on Debt</u>							
General Government	\$ 64,361	\$ 0	\$ 0	\$ 64,361	\$ 0	\$ 64,361	\$ 0
Total Expenditures	\$ 5,891,028	\$ (46,664)	\$ 115,318	\$ 5,959,682	\$ 5,973,454	\$ 6,406,869	\$ 447,187
	\$ (128,182)	\$ 46,664	\$ (115,318)	\$ (196,836)	\$ (353,934)	\$ (656,287)	\$ 459,451
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>							
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 140,869	\$ 0	\$ 0	\$ 140,869	\$ 50,000	\$ 190,869	\$ (50,000)
Insurance Recovery	0	0	0	0	0	26,864	(26,864)
Transfers In	7,880	0	0	7,880	0	12,380	(4,500)
Transfers Out	(65,720)	0	0	(65,720)	(130,000)	(195,720)	130,000
Total Other Financing Sources (Uses)	\$ 83,029	\$ 0	\$ 0	\$ 83,029	\$ (80,000)	\$ 34,393	\$ 48,636
<u>Net Change in Fund Balance</u> <u>Fund Balance, July 1, 2009</u>	\$ (45,153)	\$ 46,664	\$ (115,318)	\$ (113,807)	\$ (433,934)	\$ (621,894)	\$ 508,087
	1,283,966	(46,664)	0	1,237,302	1,242,205	1,242,205	(4,903)
<u>Fund Balance, June 30, 2010</u>	\$ 1,238,813	\$ 0	\$ (115,318)	\$ 1,123,495	\$ 808,271	\$ 620,311	\$ 503,184

Exhibit F-2

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 326,671	\$ 0	\$ 0	\$ 326,671	\$ 322,000	\$ 322,000	\$ 4,671
Fines, Forfeitures, and Penalties	964	0	0	964	400	400	564
Federal Government	5,021	0	0	5,021	0	0	5,021
Total Revenues	\$ 332,656	\$ 0	\$ 0	\$ 332,656	\$ 322,400	\$ 322,400	\$ 10,256
Expenditures							
General Government							
County Buildings	\$ 22,200	\$ 0	\$ 0	\$ 22,200	\$ 22,200	\$ 22,200	\$ 0
Other Operations							
ARRA Grant # 1	5,021	0	0	5,021	0	5,021	0
Miscellaneous	3,286	0	0	3,286	3,000	3,030	(256)
Principal on Debt							
General Government	22,535	0	0	22,535	43,800	23,770	1,235
Interest on Debt							
General Government	252,910	0	0	252,910	205,500	252,912	2
Other Debt Service							
General Government	28,138	0	0	28,138	0	28,138	0
Capital Projects							
Administration of Justice Projects	5,627,404	(5,926,655)	940,998	641,747	7,205,217	7,247,196	6,605,449
Total Expenditures	\$ 5,961,494	\$ (5,926,655)	\$ 940,998	\$ 975,837	\$ 7,479,717	\$ 7,582,267	\$ 6,606,430
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,628,838)	\$ 5,926,655	\$ (940,998)	\$ (643,181)	\$ (7,157,317)	\$ (7,259,867)	\$ 6,616,686
Other Financing Sources (Uses)							
Bonds Issued	0	0	0	0	7,205,217	1,625,618	(1,625,618)
Other Loans Issued	5,626,599	0	0	5,626,599	0	5,626,599	0
Total Other Financing Sources (Uses)	\$ 5,626,599	\$ 0	\$ 0	\$ 5,626,599	\$ 7,205,217	\$ 7,252,217	\$ (1,625,618)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (2,239)	\$ 5,926,655	\$ (940,998)	\$ 4,983,418	\$ 47,900	\$ (7,650)	\$ 4,991,068
Fund Balance, July 1, 2009	464,433	(5,926,655)	0	(5,462,222)	408,909	408,909	(5,871,131)
Fund Balance, June 30, 2010	\$ 462,194	\$ 0	\$ (940,998)	\$ (478,804)	\$ 456,809	\$ 401,259	\$ (880,063)

Exhibit F-3

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 877,708 \$	0 \$	0 \$	877,708 \$	900,300 \$	900,300 \$	(22,592)
Other Local Revenues	7,785	0	0	7,785	3,500	3,500	4,285
State of Tennessee	0	0	0	0	0	12,008	(12,008)
Total Revenues	\$ 885,493 \$	0 \$	0 \$	885,493 \$	903,800 \$	915,808 \$	(30,315)
<u>Expenditures</u>							
Public Health and Welfare							
Ambulance/Emergency Medical Services	\$ 1,042,824 \$	(8,193) \$	73,202 \$	1,107,833 \$	1,049,877 \$	1,146,885 \$	39,052
Total Expenditures	\$ 1,042,824 \$	(8,193) \$	73,202 \$	1,107,833 \$	1,049,877 \$	1,146,885 \$	39,052
Excess (Deficiency) of Revenues Over Expenditures	\$ (157,331) \$	8,193 \$	(73,202) \$	(222,340) \$	(146,077) \$	(231,077) \$	8,737
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 74,000 \$	0 \$	0 \$	74,000 \$	75,000 \$	135,000 \$	(61,000)
Transfers Out	(40,000)	0	0	(40,000)	0	(40,000)	0
Total Other Financing Sources (Uses)	\$ 34,000 \$	0 \$	0 \$	34,000 \$	75,000 \$	95,000 \$	(61,000)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (123,331) \$	8,193 \$	(73,202) \$	(188,340) \$	(71,077) \$	(136,077) \$	(52,263)
Fund Balance, July 1, 2009	251,987	(8,193)	0	243,794	241,092	241,092	2,702
Fund Balance, June 30, 2010	\$ 128,656 \$	0 \$	(73,202) \$	55,454 \$	170,015 \$	105,015 \$	(49,561)

Exhibit F-4

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 244,538	\$ 264,548	\$ 264,548	\$ (20,010)
Other Local Revenues	8,735	15,150	15,053	(6,318)
State of Tennessee	1,560,511	1,583,623	1,583,623	(23,112)
Total Revenues	<u>\$ 1,813,784</u>	<u>\$ 1,863,321</u>	<u>\$ 1,863,224</u>	<u>\$ (49,440)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 174,615	\$ 165,791	\$ 183,145	\$ 8,530
Highway and Bridge Maintenance	977,688	1,022,098	1,144,769	167,081
Operation and Maintenance of Equipment	261,379	262,257	312,270	50,891
Other Charges	82,143	78,241	85,308	3,165
Employee Benefits	356,320	361,565	374,723	18,403
Capital Outlay	134,475	237,000	140,496	6,021
<u>Principal on Debt</u>				
Highways and Streets	51,179	50,000	51,179	0
<u>Interest on Debt</u>				
Highways and Streets	3,281	5,552	4,276	995
Total Expenditures	<u>\$ 2,041,080</u>	<u>\$ 2,182,504</u>	<u>\$ 2,296,166</u>	<u>\$ 255,086</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (227,296)</u>	<u>\$ (319,183)</u>	<u>\$ (432,942)</u>	<u>\$ 205,646</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 7,800	\$ 0	\$ 0	\$ 7,800
Transfers In	136,617	0	113,759	22,858
Total Other Financing Sources (Uses)	<u>\$ 144,417</u>	<u>\$ 0</u>	<u>\$ 113,759</u>	<u>\$ 30,658</u>
Net Change in Fund Balance	\$ (82,879)	\$ (319,183)	\$ (319,183)	\$ 236,304
Fund Balance, July 1, 2009	<u>399,935</u>	<u>305,391</u>	<u>305,391</u>	<u>94,544</u>
Fund Balance, June 30, 2010	<u>\$ 317,056</u>	<u>\$ (13,792)</u>	<u>\$ (13,792)</u>	<u>\$ 330,848</u>

Exhibit F-5

Smith County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Smith County School Department
June 30, 2010

(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)
7-1-09	\$ 11,293	\$ 12,817	\$ 1,524	88.11 %	\$ 6,077	25.08 %
7-1-07	10,716	11,530	814	92.94	5,287	15.4

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore, only the two most recent valuations are presented.

Exhibit F-6

Smith County, Tennessee
 Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Smith County School Department
June 30, 2010

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Primary Government #</u>							
Local Government Group	7-1-07	\$ 0	132	\$ 132	0 %	\$ 4,126	3 %
"	7-1-09	0	379	379	0	4,126	9
<u>Discretely Presented Smith County School Department</u>							
Local Education Group	7-1-07	0	2,414	2,414	0	12,798	19
"	7-1-09	0	2,169	2,169	0	12,798	17

* Data only available for two actuarial valuations.

The most recent actuarial report combined landfill employees with all other county employees; therefore, information from the 7-1-07 actuarial report that had been reflected separately in prior audit reports has been combined for presentation in this schedule.

SMITH COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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 County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/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. FUND DEFICIT

The Courthouse and Jail Maintenance Fund had a deficit in unreserved fund balance of \$969,337 at June 30, 2010. This deficit resulted from the unperformed portions of construction contracts of \$940,998 being reserved as encumbrances and \$28,339 from the failure of management to maintain expenditures within available resources. Funding to liquidate this deficit is expected to be received through future litigation tax collections and other loans.

C. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$13,792. Sound budgetary principles dictate that appropriations be held within estimated available funding.

D. EXPENDITURES AN ENCUMBRANCES EXCEEDED APPROPRIATIONS

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Judicial Commissioners	\$ 79
County Coroner/Medical Examiner	1,994
Courthouse and Jail Maintenance:	
Other Operations - Miscellaneous	256

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues in the Courthouse and Jail Maintenance Fund and by available fund balance in the General Fund.

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

Nonmajor Governmental Funds

Special Revenue Funds

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.

Public Library Fund – The Public Library Fund is used to account for revenues received at the library from donations, fines, and fees.

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

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.

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.

Capital Projects Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for funds used for construction of major capital facilities.

Farmer’s Market Projects Fund – The Farmer’s Market 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.

Fire Department Building Projects Fund – The Fire Department Building Projects Fund is used to account for capital expenditures for fire department construction and renovation projects.

EMS Building Projects Fund – The EMS Building Projects Fund is used to account for grant funds received for the construction of an EMS building.

Flooding Repair Projects Fund – The Flooding Repair Projects Fund is used to account for capital outlay note proceeds issued to repair damages to county roads caused by flooding in May 2010.

Smith County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds					Debt Service Fund	
	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Debt	Service
\$ 53,576 \$	0 \$	0 \$	0 \$	333 \$	53,909 \$	0	0
0	16,233	62,041	0	0	78,274	429,609	0
0	0	0	168	0	168	0	0
0	0	0	0	0	0	483,882	0
0	0	0	0	0	0	(24,375)	0
0	0	0	0	0	0	10,000	0
0	0	0	0	0	0	60,000	0
\$ 53,576 \$	16,233 \$	62,041 \$	501 \$	132,351 \$	959,116		

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Accounts Receivable	
Property Taxes Receivable	
Allowance for Uncollectible Property Taxes	
Notes Receivable - Current	
Notes Receivable - Long-term	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>	
Accounts Payable	
Payroll Deductions Payable	
Contracts Payable	
Due to Other Funds	
Due to State of Tennessee	
Deferred Revenue - Current Property Taxes	
Deferred Revenue - Delinquent Property Taxes	
Total Liabilities	
<u>Fund Balances</u>	
Reserved for Encumbrances	
Reserved for Long-term Notes Receivable	
Unreserved (Deficit)	
Total Fund Balances	
Total Liabilities and Fund Balances	

(Continued)

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

	Capital Projects Funds										Total Nonmajor Governmental Funds	
	Fire											
	General Capital Projects	Farmer's Market Projects	Head Start Building Projects	Department Building Projects	EMS Building Projects	Flooding Repair Projects	Total					
\$	0	0	0	0	0	0	0	0	0	0	0	53,909
	9,462	61	31	6,589	3,157	886,241	905,541					1,413,424
	0	0	0	0	0	0	0					168
	0	0	0	0	0	0	0					483,882
	0	0	0	0	0	0	0					(24,375)
	0	0	0	0	0	0	0					10,000
	0	0	0	0	0	0	0					60,000
	\$ 9,462	\$ 61	\$ 31	\$ 6,589	\$ 3,157	\$ 886,241	\$ 905,541	\$	\$	\$	\$	\$ 1,997,008

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Property Taxes Receivable
 Allowance for Uncollectible Property Taxes
 Notes Receivable - Current
 Notes Receivable - Long-term

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Accounts Payable
 Payroll Deductions Payable
 Contracts Payable
 Due to Other Funds
 Due to State of Tennessee
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes

Total Liabilities

Fund Balances

Reserved for Encumbrances
 Reserved for Long-term Notes Receivable
 Unreserved (Deficit)
 Total Fund Balances

Total Liabilities and Fund Balances

\$	0	0	0	0	0	0	0	0	0	0	0	964
	0	0	0	0	0	0	0					114
	171,112	0	0	0	0	0	171,112					171,112
	0	0	0	0	0	22,858	22,858					24,591
	0	0	0	0	0	0	0					1,916
	0	0	0	0	0	0	0					440,090
	0	0	0	0	0	0	0					18,321
	\$ 171,112	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,858	\$ 193,970	\$	\$	\$	\$	\$ 657,108
\$	196,889	0	0	0	378,035	0	574,924	\$	\$	\$	\$	586,628
	0	0	0	0	0	0	0					60,000
	(358,539)	61	31	6,589	(374,878)	863,383	136,647					693,272
	(161,650)	61	31	6,589	3,157	863,383	711,571	\$	\$	\$	\$	1,339,900
	\$ 9,462	\$ 61	\$ 31	\$ 6,589	\$ 3,157	\$ 886,241	\$ 905,541	\$	\$	\$	\$	\$ 1,997,008

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, 2010

	Special Revenue Funds						Total	Debt Service Fund
	Public Library	Solid Waste / Sanitation	Special Purpose	Drug Control	Constitu- tional Officers - Fees	Total		
Revenues								
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 463,826	
Licenses and Permits	0	0	1,628	0	0	1,628	0	
Fines, Forfeitures, and Penalties	0	0	0	26,566	0	26,566	0	
Charges for Current Services	10,831	0	12,660	0	4,979	28,470	0	
Other Local Revenues	763	3,206	60,289	0	0	64,258	109,538	
State of Tennessee	0	0	0	0	0	0	0	
Federal Government	0	0	0	0	0	0	0	
Other Governments and Citizens Groups	11,000	0	0	0	0	11,000	0	
Total Revenues	\$ 22,594	\$ 3,206	\$ 74,577	\$ 26,566	\$ 4,979	\$ 131,922	\$ 573,364	
Expenditures								
Current:								
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,979	\$ 4,979	\$ 0	
Public Safety	0	0	0	3,143	0	3,143	0	
Public Health and Welfare	0	274,845	0	0	0	274,845	0	
Social, Cultural, and Recreational Services	90,162	0	0	0	0	90,162	0	
Other Operations	0	629	94,201	0	0	94,830	0	
Debt Service:								
Principal on Debt	0	72,452	0	0	0	72,452	429,081	
Interest on Debt	0	3,215	0	0	0	3,215	91,982	
Other Debt Service	0	0	0	0	0	0	19,333	
Capital Projects	0	0	0	0	0	0	0	
Total Expenditures	\$ 90,162	\$ 351,141	\$ 94,201	\$ 3,143	\$ 4,979	\$ 543,626	\$ 540,396	
Excess (Deficiency) of Revenues Over Expenditures	\$ (67,568)	\$ (347,935)	\$ (19,624)	\$ 23,423	\$ 0	\$ (411,704)	\$ 32,968	
Other Financing Sources (Uses)								
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Transfers In	65,720	355,000	0	0	0	420,720	0	
Transfers Out	0	0	0	0	0	0	0	
Total Other Financing Sources (Uses)	\$ 65,720	\$ 355,000	\$ 0	\$ 0	\$ 0	\$ 420,720	\$ 0	
Net Change in Fund Balances Fund Balance, July 1, 2009	\$ (1,848)	\$ 7,065	\$ (19,624)	\$ 23,423	\$ 0	\$ 9,016	\$ 32,968	
	54,460	7,138	19,624	38,618	0	119,840	466,505	
Fund Balance, June 30, 2010	\$ 52,612	\$ 14,203	\$ 0	\$ 62,041	\$ 0	\$ 128,856	\$ 499,473	

(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
	General Capital Projects	Farmer's Market Projects	Head Start Building Projects	Fire Department Building Projects	EMS Building Projects	Flooding Repair Projects	Total	
Revenues								
Local Taxes	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	463,826
Licenses and Permits	0	0	0	0	0	0	0	1,628
Fines, Forfeitures, and Penalties	0	0	0	0	0	0	0	26,566
Charges for Current Services	0	0	0	0	0	0	0	28,470
Other Local Revenues	0	0	0	6,589	0	44	6,633	180,429
State of Tennessee	0	0	0	0	103,431	0	103,431	103,431
Federal Government	45,613	0	0	0	6,062	0	51,675	51,675
Other Governments and Citizens Groups	25,000	0	0	0	18,812	0	43,812	54,812
Total Revenues	\$ 70,613 \$	0 \$	0 \$	6,589 \$	128,305 \$	44 \$	205,551 \$	910,837
Expenditures								
Current:								
Administration of Justice	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	4,979
Public Safety	0	0	0	0	0	0	0	3,143
Public Health and Welfare	0	0	0	0	0	0	0	274,845
Social, Cultural, and Recreational Services	0	0	0	0	0	0	0	90,162
Other Operations	0	200	0	0	6,062	1,060	7,322	102,152
Debt Service:								
Principal on Debt	0	0	0	0	0	0	0	501,533
Interest on Debt	0	0	0	0	0	0	0	95,197
Other Debt Service	0	0	0	0	0	0	0	19,333
Capital Projects	324,558	0	0	0	159,086	0	483,644	483,644
Total Expenditures	\$ 324,558 \$	200 \$	0 \$	0 \$	165,148 \$	1,060 \$	490,966 \$	1,574,988
Excess (Deficiency) of Revenues Over Expenditures	\$ (253,945) \$	(200) \$	0 \$	6,589 \$	(36,843) \$	(1,016) \$	(285,415) \$	(664,151)
Other Financing Sources (Uses)								
Notes Issued	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	1,000,000 \$	1,000,000 \$	1,000,000
Transfers In	0	0	0	0	40,000	0	40,000	460,720
Transfers Out	0	0	0	0	0	(144,497)	(144,497)	(144,497)
Total Other Financing Sources (Uses)	\$ 0 \$	0 \$	0 \$	0 \$	40,000 \$	855,503 \$	895,503 \$	1,316,223
Net Change in Fund Balances Fund Balance, July 1, 2009	\$ (253,945) \$	(200) \$	0 \$	6,589 \$	3,157 \$	854,487 \$	610,088 \$	652,072
	92,295	261	31	0	0	8,896	101,483	687,828
Fund Balance, June 30, 2010	\$ (161,650) \$	61 \$	31 \$	6,589 \$	3,157 \$	863,383 \$	711,571 \$	1,339,900

Exhibit G-3

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 3,206 \$	0 \$	0 \$	3,206 \$	6,000 \$	6,000 \$	(2,794)
Total Revenues	\$ 3,206 \$	0 \$	0 \$	3,206 \$	6,000 \$	6,000 \$	(2,794)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Waste Pickup	\$ 102,335 \$	(732) \$	3,559 \$	105,162 \$	188,031 \$	114,989 \$	9,827
Convenience Centers	172,478	(850)	600	172,228	181,718	179,092	6,864
Other Waste Disposal	32	0	0	32	75	75	43
<u>Other Operations</u>							
Employee Benefits	629	0	0	629	628	629	0
Principal on Debt							
General Government	72,452	0	0	72,452	0	72,452	0
Interest on Debt							
General Government	3,215	0	0	3,215	0	3,215	0
Total Expenditures	\$ 351,141 \$	(1,582) \$	4,159 \$	353,718 \$	370,452 \$	370,452 \$	16,734
Excess (Deficiency) of Revenues Over Expenditures	\$ (347,935) \$	1,582 \$	(4,159) \$	(350,512) \$	(364,452) \$	(364,452) \$	13,940
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 355,000 \$	0 \$	0 \$	355,000 \$	370,452 \$	370,452 \$	(15,452)
Total Other Financing Sources (Uses)	\$ 355,000 \$	0 \$	0 \$	355,000 \$	370,452 \$	370,452 \$	(15,452)
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 7,065 \$	1,582 \$	(4,159) \$	4,488 \$	6,000 \$	6,000 \$	(1,512)
	7,138	(1,582)	0	5,556	3,606	3,606	1,950
Fund Balance, June 30, 2010	\$ 14,203 \$	0 \$	(4,159) \$	10,044 \$	9,606 \$	9,606 \$	438

Exhibit G-4

Smith County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Special Purpose Fund
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Licenses and Permits	\$ 1,628	\$ 0	\$ 1,628	\$ 1,000	\$ 1,000	\$ 628
Charges for Current Services	12,660	0	12,660	5,200	5,200	7,460
Other Local Revenues	60,289	0	60,289	36,964	50,890	9,399
Total Revenues	\$ 74,577	\$ 0	\$ 74,577	\$ 43,164	\$ 57,090	\$ 17,487
<u>Expenditures</u>						
<u>Other Operations</u>						
Miscellaneous	\$ 94,201	(277)	\$ 93,924	\$ 58,000	\$ 98,157	\$ 4,233
Total Expenditures	\$ 94,201	(277)	\$ 93,924	\$ 58,000	\$ 98,157	\$ 4,233
Excess (Deficiency) of Revenues Over Expenditures	\$ (19,624)	277	\$ (19,347)	\$ (14,836)	\$ (41,067)	\$ 21,720
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (19,624)	277	\$ (19,347)	\$ (14,836)	\$ (41,067)	\$ 21,720
	19,624	(277)	19,347	0	0	19,347
Fund Balance, June 30, 2010	\$ 0	0	\$ 0	\$ (14,836)	\$ (41,067)	\$ 41,067

Exhibit G-5

Smith County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 26,566 \$	0 \$	0 \$	26,566 \$	8,000 \$	8,070 \$	18,496
Total Revenues	\$ 26,566 \$	0 \$	0 \$	26,566 \$	8,000 \$	8,070 \$	18,496
<u>Expenditures</u>							
<u>Public Safety</u>							
Sheriff's Department	\$ 2,896 \$	(112) \$	7,545 \$	10,329 \$	12,000 \$	12,000 \$	1,671
Drug Enforcement	247	0	0	247	50	120	(127)
Total Expenditures	\$ 3,143 \$	(112) \$	7,545 \$	10,576 \$	12,050 \$	12,120 \$	1,544
Excess (Deficiency) of Revenues Over Expenditures	\$ 23,423 \$	112 \$	(7,545) \$	15,990 \$	(4,050) \$	(4,050) \$	20,040
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 23,423 \$	112 \$	(7,545) \$	15,990 \$	(4,050) \$	(4,050) \$	20,040
	38,618	(112)	0	38,506	38,506	38,506	0
Fund Balance, June 30, 2010	\$ 62,041 \$	0 \$	(7,545) \$	54,496 \$	34,456 \$	34,456 \$	20,040

Exhibit G-6

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 463,826	\$ 457,070	\$ 457,070	\$ 6,756
Other Local Revenues	109,538	111,000	111,000	(1,462)
Total Revenues	<u>\$ 573,364</u>	<u>\$ 568,070</u>	<u>\$ 568,070</u>	<u>\$ 5,294</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 429,081	\$ 490,746	\$ 477,873	\$ 48,792
<u>Interest on Debt</u>				
General Government	91,982	147,680	150,948	58,966
<u>Other Debt Service</u>				
General Government	19,333	9,500	19,105	(228)
Total Expenditures	<u>\$ 540,396</u>	<u>\$ 647,926</u>	<u>\$ 647,926</u>	<u>\$ 107,530</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 32,968</u>	<u>\$ (79,856)</u>	<u>\$ (79,856)</u>	<u>\$ 112,824</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 0	\$ 10,000	\$ 10,000	\$ (10,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ (10,000)</u>
Net Change in Fund Balance	\$ 32,968	\$ (69,856)	\$ (69,856)	\$ 102,824
Fund Balance, July 1, 2009	<u>466,505</u>	<u>477,737</u>	<u>477,737</u>	<u>(11,232)</u>
Fund Balance, June 30, 2010	<u>\$ 499,473</u>	<u>\$ 407,881</u>	<u>\$ 407,881</u>	<u>\$ 91,592</u>

Major Governmental Fund

Education Debt Service Fund

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

Exhibit H

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,730,099	\$ 1,667,834	\$ 1,667,834	\$ 62,265
Other Governments and Citizens Groups	296,000	296,000	296,000	0
Total Revenues	<u>\$ 2,026,099</u>	<u>\$ 1,963,834</u>	<u>\$ 1,963,834</u>	<u>\$ 62,265</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 1,030,000	\$ 1,030,000	\$ 1,030,000	\$ 0
<u>Interest on Debt</u>				
Education	798,762	798,763	798,763	1
<u>Other Debt Service</u>				
Education	22,207	21,100	21,100	(1,107)
Total Expenditures	<u>\$ 1,850,969</u>	<u>\$ 1,849,863</u>	<u>\$ 1,849,863</u>	<u>\$ (1,106)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 175,130</u>	<u>\$ 113,971</u>	<u>\$ 113,971</u>	<u>\$ 61,159</u>
Net Change in Fund Balance	\$ 175,130	\$ 113,971	\$ 113,971	\$ 61,159
Fund Balance, July 1, 2009	1,317,053	1,279,803	1,279,803	37,250
Fund Balance, June 30, 2010	<u>\$ 1,492,183</u>	<u>\$ 1,393,774</u>	<u>\$ 1,393,774</u>	<u>\$ 98,409</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit I-1

Smith County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,357,430	\$ 1,357,430
Due from Other Governments	193,025	0	193,025
Total Assets	<u>\$ 193,025</u>	<u>\$ 1,357,430</u>	<u>\$ 1,550,455</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 193,025	\$ 0	\$ 193,025
Due to Litigants, Heirs, and Others	0	1,357,430	1,357,430
Total Liabilities	<u>\$ 193,025</u>	<u>\$ 1,357,430</u>	<u>\$ 1,550,455</u>

Exhibit I-2

Smith County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,108,289	\$ 1,108,289	\$ 0
Due from Other Governments	187,607	193,025	187,607	193,025
Total Assets	\$ 187,607	\$ 1,301,314	\$ 1,295,896	\$ 193,025
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 187,607	\$ 1,301,314	\$ 1,295,896	\$ 193,025
Total Liabilities	\$ 187,607	\$ 1,301,314	\$ 1,295,896	\$ 193,025
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,243,808	\$ 12,362,734	\$ 12,249,112	\$ 1,357,430
Investments	38,326	0	38,326	0
Accounts Receivable	989	0	989	0
Total Assets	\$ 1,283,123	\$ 12,362,734	\$ 12,288,427	\$ 1,357,430
<u>Liabilities</u>				
Cash Overdraft	\$ 916	\$ 0	\$ 916	\$ 0
Due to Litigants, Heirs, and Others	1,282,207	12,362,734	12,287,511	1,357,430
Total Liabilities	\$ 1,283,123	\$ 12,362,734	\$ 12,288,427	\$ 1,357,430
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,243,808	\$ 12,362,734	\$ 12,249,112	\$ 1,357,430
Equity in Pooled Cash and Investments	0	1,108,289	1,108,289	0
Investments	38,326	0	38,326	0
Accounts Receivable	989	0	989	0
Due from Other Governments	187,607	193,025	187,607	193,025
Total Assets	\$ 1,470,730	\$ 13,664,048	\$ 13,584,323	\$ 1,550,455
<u>Liabilities</u>				
Cash Overdraft	\$ 916	\$ 0	\$ 916	\$ 0
Due to Other Taxing Units	187,607	1,301,314	1,295,896	193,025
Due to Litigants, Heirs, and Others	1,282,207	12,362,734	12,287,511	1,357,430
Total Liabilities	\$ 1,470,730	\$ 13,664,048	\$ 13,584,323	\$ 1,550,455

Smith County School Department

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

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

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

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

Exhibit J-1

Smith County, Tennessee
Statement of Activities
Discretely Presented Smith County School Department
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 14,685,247	\$ 34,482	\$ 1,727,117	\$ 0	\$ (12,923,648)
Support Services	7,119,328	19,006	60,062	0	(7,040,260)
Operation of Non-Instructional Services	2,222,576	593,496	1,318,174	16,760	(294,146)
Other Debt Service	296,000	0	0	0	(296,000)
Total Governmental Activities	\$ 24,323,151	\$ 646,984	\$ 3,105,353	\$ 16,760	\$ (20,554,054)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 2,969,054
Local Option Sales Taxes					1,289,276
Other Local Taxes					888
Grants and Contributions Not Restricted for Specific Programs					16,640,774
Interest Income					11,550
Miscellaneous					51,494
Sale of Equipment					4,645
Total General Revenues					\$ 20,967,681
Insurance Recovery					\$ 4,993
Change in Net Assets					\$ 418,620
Net Assets, July 1, 2009					36,268,101
Net Assets, June 30, 2010					\$ 36,686,721

Exhibit J-2

Smith County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Smith County School Department
June 30, 2010

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	<u>General</u>	<u>Other</u>	<u>Governmental</u>
	<u>Purpose</u>	<u>Governmental</u>	<u>Funds</u>
	<u>School</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 3,125,678	\$ 816,622	\$ 3,942,300
Accounts Receivable	183	152	335
Due from Other Governments	355,990	35,669	391,659
Due from Other Funds	409	28	437
Property Taxes Receivable	3,209,752	0	3,209,752
Allowance for Uncollectible Property Taxes	(161,686)	0	(161,686)
Total Assets	\$ 6,530,326	\$ 852,471	\$ 7,382,797
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 7,811	\$ 50,939	\$ 58,750
Accrued Payroll	0	2,080	2,080
Payroll Deductions Payable	516,078	31,970	548,048
Due to Other Funds	28	409	437
Due to State of Tennessee	0	76	76
Deferred Revenue - Current Property Taxes	2,919,267	0	2,919,267
Deferred Revenue - Delinquent Property Taxes	109,850	0	109,850
Other Deferred Revenues	119,115	0	119,115
Total Liabilities	\$ 3,672,149	\$ 85,474	\$ 3,757,623
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 2,714	\$ 48,768	\$ 51,482
Reserved for Vocational Projects	217,110	0	217,110
Reserved for Career Ladder - Extended Contract	14,288	0	14,288
Reserved for Career Ladder Program	3,871	0	3,871
Reserved for Basic Education Program	2,315,686	0	2,315,686
Reserved for Title I Grants to Local Education Agencies	0	7,030	7,030
Reserved for Special Education - Grants to States	0	65,373	65,373
Other Federal Reserves	0	49,915	49,915
Unreserved, Reported In:			
General Fund	304,508	0	304,508
Special Revenue Funds	0	595,911	595,911
Total Fund Balances	\$ 2,858,177	\$ 766,997	\$ 3,625,174
Total Liabilities and Fund Balances	\$ 6,530,326	\$ 852,471	\$ 7,382,797

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, 2010

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)		\$	3,625,174
(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		106,156	
Add: buildings and improvements net of accumulated depreciation		30,360,032	
Add: other capital assets net of accumulated depreciation		<u>1,461,012</u>	33,153,938
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable	\$	(59,584)	
Less: other postemployment benefits liability		<u>(261,772)</u>	(321,356)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>228,965</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>36,686,721</u></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, 2010

	Major Fund	Nonmajor Funds	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 4,369,081	\$ 0	\$ 4,369,081
Licenses and Permits	1,528	0	1,528
Charges for Current Services	31,710	594,888	626,598
Other Local Revenues	60,711	26,406	87,117
State of Tennessee	15,920,331	40,461	15,960,792
Federal Government	108,577	3,576,794	3,685,371
Other Governments and Citizens Groups	12,369	0	12,369
Total Revenues	<u>\$ 20,504,307</u>	<u>\$ 4,238,549</u>	<u>\$ 24,742,856</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 11,889,282	\$ 1,914,173	\$ 13,803,455
Support Services	6,737,742	428,676	7,166,418
Operation of Non-Instructional Services	526,134	1,697,060	2,223,194
Capital Outlay	110,263	0	110,263
Debt Service:			
Other Debt Service	296,000	0	296,000
Total Expenditures	<u>\$ 19,559,421</u>	<u>\$ 4,039,909</u>	<u>\$ 23,599,330</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 944,886</u>	<u>\$ 198,640</u>	<u>\$ 1,143,526</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 16,493	\$ 0	\$ 16,493
Transfers In	6,426	0	6,426
Transfers Out	0	(6,426)	(6,426)
Total Other Financing Sources (Uses)	<u>\$ 22,919</u>	<u>\$ (6,426)</u>	<u>\$ 16,493</u>
Net Change in Fund Balances	\$ 967,805	\$ 192,214	\$ 1,160,019
Fund Balance, July 1, 2009	1,890,372	574,783	2,465,155
Fund Balance, June 30, 2010	<u>\$ 2,858,177</u>	<u>\$ 766,997</u>	<u>\$ 3,625,174</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, 2010

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)		\$ 1,160,019
(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 outlays purchased in the current period	\$ 336,551	
Less: current year depreciation expense	<u>(1,037,258)</u>	(700,707)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 6,778	
Less: decrease of other sources for insurance recovery of disposed assets	<u>(11,500)</u>	(4,722)
(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, 2009	\$ (235,043)	
Add: deferred delinquent property taxes and other deferred June 30, 2010	<u>228,965</u>	(6,078)
(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	\$ (3,910)	
Change in other postemployment benefits liability	<u>(25,982)</u>	<u>(29,892)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 418,620</u>

Exhibit J-6

Smith County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Smith County School Department
June 30, 2010

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Nonmajor</u>
	<u>Federal</u>	<u>Cafeteria</u>	<u>Governmental</u>
	<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 170,556	\$ 646,066	\$ 816,622
Accounts Receivable	36	116	152
Due from Other Governments	35,669	0	35,669
Due from Other Funds	28	0	28
Total Assets	<u>\$ 206,289</u>	<u>\$ 646,182</u>	<u>\$ 852,471</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,546	\$ 49,393	\$ 50,939
Accrued Payroll	2,080	0	2,080
Payroll Deductions Payable	31,092	878	31,970
Due to Other Funds	409	0	409
Due to State of Tennessee	76	0	76
Total Liabilities	<u>\$ 35,203</u>	<u>\$ 50,271</u>	<u>\$ 85,474</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 48,768	\$ 0	\$ 48,768
Reserved for Title I Grants to Local Education Agencies	7,030	0	7,030
Reserved for Special Education - Grants to States	65,373	0	65,373
Other Federal Reserves	49,915	0	49,915
Unreserved	0	595,911	595,911
Total Fund Balances	<u>\$ 171,086</u>	<u>\$ 595,911</u>	<u>\$ 766,997</u>
Total Liabilities and Fund Balances	<u>\$ 206,289</u>	<u>\$ 646,182</u>	<u>\$ 852,471</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, 2010

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 594,888	\$ 594,888
Other Local Revenues	74	26,332	26,406
State of Tennessee	20,452	20,009	40,461
Federal Government	2,419,973	1,156,821	3,576,794
Total Revenues	<u>\$ 2,440,499</u>	<u>\$ 1,798,050</u>	<u>\$ 4,238,549</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,914,173	\$ 0	\$ 1,914,173
Support Services	428,676	0	428,676
Operation of Non-Instructional Services	0	1,697,060	1,697,060
Total Expenditures	<u>\$ 2,342,849</u>	<u>\$ 1,697,060</u>	<u>\$ 4,039,909</u>
Excess (Deficiency) of Revenues			
Over Expenditures	\$ 97,650	\$ 100,990	\$ 198,640
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (6,426)	\$ 0	\$ (6,426)
Total Other Financing Sources (Uses)	<u>\$ (6,426)</u>	<u>\$ 0</u>	<u>\$ (6,426)</u>
Net Change in Fund Balances	\$ 91,224	\$ 100,990	\$ 192,214
Fund Balance, July 1, 2009	79,862	494,921	574,783
Fund Balance, June 30, 2010	<u>\$ 171,086</u>	<u>\$ 595,911</u>	<u>\$ 766,997</u>

Exhibit J-8

Smith County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Discreetly Presented Smith County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 4,369,081	\$ 0	\$ 0	\$ 4,369,081	\$ 4,304,670	\$ 4,304,670	\$ 64,411
Licenses and Permits	1,528	0	0	1,528	1,500	1,500	28
Charges for Current Services	31,710	0	0	31,710	31,500	31,500	210
Other Local Revenues	60,711	0	0	60,711	71,200	71,200	(10,489)
State of Tennessee	15,920,331	0	0	15,920,331	15,609,000	15,696,899	223,432
Federal Government	108,577	0	0	108,577	0	0	108,577
Other Governments and Citizens Groups	12,369	0	0	12,369	0	13,000	(631)
Total Revenues	\$ 20,504,307	\$ 0	\$ 0	\$ 20,504,307	\$ 20,017,870	\$ 20,118,769	\$ 385,538
Expenditures							
Instruction							
Regular Instruction Program	\$ 10,281,246	(18,175)	759	\$ 10,263,830	\$ 10,475,600	\$ 10,555,600	\$ 291,770
Alternative Instruction Program	56,570	0	0	56,570	57,990	57,990	1,420
Special Education Program	861,899	0	0	861,899	1,220,550	1,100,550	238,651
Vocational Education Program	689,567	(207)	0	689,360	735,300	735,300	45,940
Support Services							
Attendance	128,640	(234)	0	128,406	146,370	146,370	17,964
Health Services	209,597	0	937	210,534	232,860	232,860	22,326
Other Student Support	476,913	0	0	476,913	478,650	518,650	41,737
Regular Instruction Program	576,635	(1,644)	918	575,909	671,750	671,750	95,841
Special Education Program	138,401	0	0	138,401	163,900	163,900	25,499
Vocational Education Program	40,543	0	0	40,543	75,340	75,340	34,797
Other Programs	87,899	0	0	87,899	0	87,899	0
Board of Education	380,990	0	0	380,990	430,950	430,950	49,960

(Continued)

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 (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Director of Schools	\$ 155,505	\$ (4,863)	\$ 0	\$ 150,642	\$ 163,990	\$ 163,990	\$ 13,348
Office of the Principal	1,223,241	0	0	1,223,241	1,245,100	1,245,100	21,859
Fiscal Services	202,158	(65)	0	202,093	219,400	219,400	17,307
Operation of Plant	1,458,085	0	100	1,458,185	1,618,700	1,618,700	160,515
Maintenance of Plant	406,130	(621)	0	405,509	459,200	459,200	53,691
Transportation	1,253,005	(82,226)	0	1,170,779	1,314,710	1,314,710	143,931
<u>Operation of Non-Instructional Services</u>							
Food Service	1,142	0	0	1,142	1,210	1,210	68
Community Services	45,136	0	0	45,136	50,000	50,000	4,864
Early Childhood Education	479,856	(5,182)	0	474,674	475,730	475,730	1,056
<u>Capital Outlay</u>							
Regular Capital Outlay	110,263	(7,129)	0	103,134	156,700	156,700	53,566
Principal on Debt	0	0	0	0	296,000	0	0
Education	296,000	0	0	296,000	0	296,000	0
Other Debt Service	19,559,421	(120,346)	2,714	19,441,789	20,690,000	20,777,899	1,336,110
Total Expenditures	\$ 944,886	\$ 120,346	\$ (2,714)	\$ 1,062,518	\$ (672,130)	\$ (659,130)	\$ 1,721,648
Excess (Deficiency) of Revenues Over Expenditures	\$ 16,493	\$ 0	\$ 0	\$ 16,493	\$ 0	\$ 0	\$ 16,493
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 6,426	\$ 0	\$ 0	\$ 6,426	\$ 35,000	\$ 35,000	\$ (28,574)
Transfers In	22,919	0	0	22,919	35,000	35,000	(12,081)
Total Other Financing Sources (Uses)	\$ 967,805	\$ 120,346	\$ (2,714)	\$ 1,085,437	\$ (637,130)	\$ (624,130)	\$ 1,709,567
Net Change in Fund Balance Fund Balance, July 1, 2009	1,890,372	(120,346)	0	1,770,026	1,440,518	1,440,518	329,508
Fund Balance, June 30, 2010	\$ 2,855,177	\$ 0	\$ (2,714)	\$ 2,855,463	\$ 803,388	\$ 816,388	\$ 2,039,075

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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Other Local Revenues	74 \$	0 \$	0 \$	74 \$	0 \$	0 \$	74
State of Tennessee	20,452	0	0	20,452	0	20,452	0
Federal Government	2,419,973	0	0	2,419,973	3,269,979	3,259,527	(839,554)
Total Revenues	\$ 2,440,499	\$ 0	\$ 0	\$ 2,440,499	\$ 3,269,979	\$ 3,279,979	\$(839,480)
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	757,945	0	23,410	781,355	1,069,336	1,079,336	297,981
Special Education Program	1,082,072	(448)	16,839	1,098,463	1,405,143	1,397,085	298,622
Vocational Education Program	43,890	(6,261)	319	37,948	38,090	38,090	142
Adult Education Program	30,266	(6,874)	0	23,392	40,975	40,975	17,583
<u>Support Services</u>							
Other Student Support	28,097	(440)	0	27,657	166,752	166,752	139,095
Regular Instruction Program	145,012	(15,690)	7,810	137,132	238,186	238,186	101,054
Special Education Program	95,913	(5,736)	390	90,567	177,393	179,793	89,226
Vocational Education Program	907	0	0	907	912	912	5
Adult Programs	72,009	0	0	72,009	84,006	84,006	11,997
Transportation	86,738	0	0	86,738	84,134	89,794	3,056
Total Expenditures	\$ 2,342,849	\$ (35,449)	\$ 48,768	\$ 2,356,168	\$ 3,304,927	\$ 3,314,929	\$ 958,761
Excess (Deficiency) of Revenues Over Expenditures	\$ 97,650	\$ 35,449	\$ (48,768)	\$ 84,331	\$ (34,948)	\$ (34,950)	\$ 119,281
Other Financing Sources (Uses)							
Transfers In	0	0	0	0	78,525	0	0
Transfers Out	(6,426)	0	0	(6,426)	(87,898)	(9,373)	2,947
Total Other Financing Sources (Uses)	\$ (6,426)	\$ 0	\$ 0	\$ (6,426)	\$ (9,373)	\$ (9,373)	\$ 2,947
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 91,224	\$ 35,449	\$ (48,768)	\$ 77,905	\$ (44,321)	\$ (44,323)	\$ 122,228
Fund Balance, July 1, 2009	\$ 79,862	\$ (35,449)	\$ 0	\$ 44,413	\$ 79,862	\$ 79,862	\$ (35,449)
Fund Balance, June 30, 2010	\$ 171,086	\$ 0	\$ (48,768)	\$ 122,318	\$ 35,541	\$ 35,539	\$ 86,779

Exhibit J-10

Smith County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Smith County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 594,888	\$ 807,000	\$ 807,000	\$ (212,112)
Other Local Revenues	26,332	36,500	36,500	(10,168)
State of Tennessee	20,009	25,000	25,000	(4,991)
Federal Government	1,156,821	1,076,800	1,181,453	(24,632)
Total Revenues	\$ 1,798,050	\$ 1,945,300	\$ 2,049,953	\$ (251,903)
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,697,060	\$ 1,945,300	\$ 2,049,953	\$ 352,893
Total Expenditures	\$ 1,697,060	\$ 1,945,300	\$ 2,049,953	\$ 352,893
Excess (Deficiency) of Revenues Over Expenditures	\$ 100,990	\$ 0	\$ 0	\$ 100,990
Net Change in Fund Balance	\$ 100,990	\$ 0	\$ 0	\$ 100,990
Fund Balance, July 1, 2009	494,921	494,924	494,924	(3)
Fund Balance, June 30, 2010	\$ 595,911	\$ 494,924	\$ 494,924	\$ 100,987

MISCELLANEOUS SCHEDULES

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, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
GOVERNMENTAL ACTIVITIES								
NOTES PAYABLE								
<u>Payable through General Fund</u>								
Patrol Cars	\$ 134,409	3.95 %	2-3-09	2-3-12	\$ 134,409	\$ 0	\$ 44,803	\$ 89,606
Patrol Cars	140,869	3.39	3-25-10	3-25-13	0	140,869	0	140,869
Total Payable through General Fund					\$ 134,409	\$ 140,869	\$ 44,803	\$ 230,475
<u>Payable through General Debt Service Fund</u>								
Courthouse and Turner Building Renovations	215,000	4.25	10-9-06	10-9-09	\$ 71,666	\$ 0	\$ 71,666	\$ 0
Ambulance	54,760	4.3	1-5-07	1-5-10	18,254	0	18,254	0
Health Department, Boat Ramp, Playground	1,066,800	3.85	1-16-07	1-16-19	889,000	0	88,900	800,100
Land Purchase (Jail Site)	280,000	4.22	3-27-07	3-27-16	217,778	0	31,111	186,667
Dump Trucks	350,224	4.15	11-5-07	11-5-12	280,179	0	70,045	210,134
Ambulance	64,654	4.12	4-8-08	4-8-11	43,103	0	21,551	21,552
Health Wellness Center	260,000	3.65	3-7-08	3-7-20	238,333	0	21,667	216,666
Ambulance Remount	72,000	3.3	5-19-09	4-8-11	72,000	0	24,000	48,000
Ambulance Remount	74,000	3.67	12-21-09	12-21-12	0	74,000	0	74,000
Highway Repairs	1,000,000	3.21	6-15-10	6-15-13	0	1,000,000	0	1,000,000
Total Payable through General Debt Service Fund					\$ 1,830,313	\$ 1,074,000	\$ 347,194	\$ 2,557,119
<u>Payable through Highway/Public Works Fund</u>								
Highway Projects	200,000	4.4	11-27-06	11-27-10	\$ 100,000	\$ 0	\$ 51,179	\$ 48,821
Total Notes Payable					\$ 2,064,722	\$ 1,214,869	\$ 443,176	\$ 2,836,415
CAPITAL LEASES PAYABLE								
<u>Payable through General Fund</u>								
Patrol Cars	74,768	5.71	3-19-07	3-19-10	\$ 19,182	\$ 0	\$ 19,182	\$ 0
Patrol Cars	116,490	5.71	3-19-07	3-19-10	29,884	0	29,884	0
Total Payable through General Fund					\$ 49,066	\$ 0	\$ 49,066	\$ 0
<u>Payable through Solid Waste/Sanitation Fund</u>								
Roll-Off Trucks	208,252	4.35	10-23-06	10-20-09	\$ 72,452	\$ 0	\$ 72,452	\$ 0
Total Capital Leases Payable					\$ 121,518	\$ 0	\$ 121,518	\$ 0

(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 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
GOVERNMENTAL ACTIVITIES (CONT.)								
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Career/Agriculture Center Construction	\$ 1,250,000	variable	12-7-05	5-25-25	\$ 1,047,000	\$ 0	\$ 54,000	\$ 993,000
Head Start Facility and New Jail Facility	704,413	variable	10-31-07	5-25-27	661,139	0	23,455	637,684
Total Payable through General Debt Service Fund					\$ 1,708,139	\$ 0	\$ 77,455	\$ 1,630,684
<u>Payable through Courthouse and Jail Maintenance Fund</u>								
Head Start Facility and New Jail Facility	674,186	variable	10-31-07	5-25-27	\$ 632,610	\$ 0	\$ 22,535	\$ 610,075
Jail Facility	(1)	variable	5-30-08	5-25-29	3,518,054	5,626,599	0	9,144,653
Total Payable through Courthouse and Jail Maintenance Fund					\$ 4,150,664	\$ 5,626,599	\$ 22,535	\$ 9,754,728
Total Other Loans Payable					\$ 5,858,803	\$ 5,626,599	\$ 99,990	\$ 11,385,412
BONDS PAYABLE								
<u>Payable through General Fund</u>								
Fire Trucks	1,250,000	4.5 %	6-17-09	6-17-29	\$ 1,250,000	\$ 0	\$ 49,424	\$ 1,200,576
Total Payable through General Fund					\$ 1,250,000	\$ 0	\$ 49,424	\$ 1,200,576
<u>Payable through General Debt Service Fund</u>								
Welcome Center	90,000	4.25	10-16-03	10-16-42	\$ 78,900	\$ 0	\$ 1,100	\$ 77,800
USDA - Community Facility	257,200	4.63	5-26-06	5-26-42	223,917	0	3,332	220,585
Total Payable through General Debt Service Fund					\$ 302,817	\$ 0	\$ 4,432	\$ 298,385
<u>Payable through Education Debt Service Fund</u>								
School Bonds, Series 2000	8,500,000	4.7 to 5.5	12-14-00	4-1-11	\$ 490,000	\$ 0	\$ 240,000	\$ 250,000
School Bonds, Series 2001	9,000,000	4.7 to 5.5	12-14-00	4-1-11	490,000	0	240,000	250,000
School Bonds, Series 2002	5,400,000	3 to 4.75	4-11-02	4-11-13	2,325,000	0	550,000	1,775,000
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					\$ 16,105,000	\$ 0	\$ 1,030,000	\$ 15,075,000
Total Bonds Payable					\$ 17,657,817	\$ 0	\$ 1,083,856	\$ 16,573,961

(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 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>BUSINESS-TYPE ACTIVITIES</u>								
<u>NOTES PAYABLE</u>								
Payable through Solid Waste Disposal Fund Landfill Expansion	\$ 700,000	4.21 %	7-16-07	7-16-16	\$ 622,222	\$ 0	\$ 77,778	\$ 544,444
<u>CAPITAL LEASES PAYABLE</u>								
Payable through Solid Waste Disposal Fund Trash Compactor	228,650	3.45	11-10-08	12-25-10	\$ 149,793	\$ 0	\$ 73,606	\$ 76,187
<u>OTHER LOANS PAYABLE</u>								
Payable through Solid Waste Disposal Fund Recycling Center	2,000,000	4.25	12-6-05	12-6-45	\$ 1,956,336	\$ 0	\$ 23,420	\$ 1,932,916

(1) Amount available under a loan agreement with the Montgomery County Public Building Authority is \$10,000,000, of which, \$9,144,653 had been received at June 30, 2010.

Exhibit K-2

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

GOVERNMENTAL ACTIVITIES

Year Ending June 30	Notes		Total
	Principal	Interest	
2011	\$ 754,302	\$ 101,705	\$ 856,007
2012	685,459	75,615	761,074
2013	618,255	50,705	668,960
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	6,719	117,286
2020	21,663	831	22,494
Total	\$ 2,836,415	\$ 335,077	\$ 3,171,492

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2011	\$ 405,290	\$ 275,054	\$ 42,636	\$ 722,980
2012	425,700	265,842	41,189	732,731
2013	444,240	256,146	39,668	740,054
2014	465,900	245,999	38,086	749,985
2015	487,690	235,339	36,428	759,457
2016	510,630	224,141	34,697	769,468
2017	533,710	212,399	32,885	778,994
2018	559,940	200,087	30,995	791,022
2019	585,340	187,144	29,014	801,498
2020	612,910	173,572	26,949	813,431
2021	642,650	159,338	24,787	826,775
2022	672,590	144,383	22,523	839,496
2023	704,720	128,705	20,157	853,582
2024	737,050	112,247	17,680	866,977
2025	772,610	94,981	15,095	882,686
2026	729,390	76,846	11,368	817,604
2027	765,399	58,164	8,960	832,523
2028	693,000	38,560	5,412	736,972
2029	636,653	18,463	3,123	658,239
Total	\$ 11,385,412	\$ 3,107,410	\$ 481,652	\$ 14,974,474

(Continued)

Exhibit K-2

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

GOVERNMENTAL ACTIVITIES (CONT.)

Year Ending June 30	Bonds		Total
	Principal	Interest	
2011	\$ 1,121,275	\$ 816,185	\$ 1,937,460
2012	1,148,359	760,663	1,909,022
2013	1,170,538	707,086	1,877,624
2014	1,282,814	651,809	1,934,623
2015	1,360,191	587,932	1,948,123
2016	1,427,678	520,195	1,947,873
2017	1,500,275	449,098	1,949,373
2018	1,562,989	374,384	1,937,373
2019	1,635,825	296,548	1,932,373
2020	1,713,790	215,083	1,928,873
2021	1,791,888	129,735	1,921,623
2022	75,126	40,497	115,623
2023	78,509	37,116	115,625
2024	82,044	33,579	115,623
2025	85,739	29,884	115,623
2026	89,600	26,023	115,623
2027	93,636	21,987	115,623
2028	97,853	17,770	115,623
2029	92,535	13,363	105,898
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	2,595	975	3,570
Total	\$ 16,573,961	\$ 5,798,516	\$ 22,372,477

(Continued)

Exhibit K-2

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

BUSINESS-TYPE ACTIVITIES

Year Ending June 30	Notes		Total
	Principal	Interest	
2011	\$ 77,778	\$ 21,284	\$ 99,062
2012	77,778	18,009	95,787
2013	77,778	14,735	92,513
2014	77,778	11,461	89,239
2015	77,778	8,186	85,964
2016	77,778	4,911	82,689
2017	77,776	1,637	79,413
Total	\$ 544,444	\$ 80,223	\$ 624,667

Year Ending June 30	Capital Leases		Total
	Principal	Interest	
2011	\$ 76,187	\$ 2,671	\$ 78,858
Total	\$ 76,187	\$ 2,671	\$ 78,858

Year Ending June 30	Other Loans		Total
	Principal	Interest	
2011	\$ 24,435	\$ 81,885	\$ 106,320
2012	25,494	80,826	106,320
2013	26,599	79,721	106,320
2014	27,752	78,569	106,321
2015	28,954	77,366	106,320
2016	30,209	76,111	106,320
2017	31,518	74,802	106,320
2018	32,884	73,436	106,320
2019	34,309	72,011	106,320
2020	35,796	70,524	106,320
2021	37,347	68,973	106,320
2022	38,966	67,354	106,320
2023	40,655	65,665	106,320

(Continued)

Exhibit K-2

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

BUSINESS-TYPE ACTIVITIES (CONT.)

Year Ending June 30	Other Loans (Cont.)		Total
	Principal	Interest	
2024	\$ 42,417	\$ 63,903	\$ 106,320
2025	44,255	62,065	106,320
2026	46,173	60,147	106,320
2027	48,174	58,146	106,320
2028	50,261	56,059	106,320
2029	52,440	53,880	106,320
2030	54,712	51,608	106,320
2031	57,083	49,237	106,320
2032	59,557	46,763	106,320
2033	62,138	44,182	106,320
2034	64,831	41,489	106,320
2035	67,641	38,679	106,320
2036	70,572	35,748	106,320
2037	73,631	32,689	106,320
2038	76,822	29,498	106,320
2039	80,151	26,169	106,320
2040	83,624	22,696	106,320
2041	87,249	19,071	106,320
2042	91,030	15,290	106,320
2043	94,975	11,345	106,320
2044	99,091	7,229	106,320
2045	103,385	2,935	106,320
2046	7,786	58	7,844
Total	\$ 1,932,916	\$ 1,796,129	\$ 3,729,045

Exhibit K-3

Smith County, Tennessee
Schedule of Notes Receivable
June 30, 2010

<u>Description</u>	<u>Payee</u>	<u>Original Amount of Loan</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-10</u>
General Debt Service Fund	Industrial Development Board of Smith County	\$ 100,000	3-20-07	3-20-17	0%	\$ 70,000
Total						<u>\$ 70,000</u>

Exhibit K-4

Smith County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Smith County School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Public Library	Contributions	\$ 65,720
Flooding Repair Projects	Highway/Public Works	Road repairs	136,617
Flooding Repair Projects	General	Operations	7,880
Ambulance Service	EMS Building Projects	"	40,000
Solid Waste Disposal	Solid Waste/Sanitation	"	355,000
Total Transfers Primary Government			<u>\$ 605,217</u>
<u>DISCRETELY PRESENTED SMITH COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 6,426
Total Transfers Discretely Presented Smith County School Department			<u>\$ 6,426</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, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 66,702	\$ 100,000	Cincinnati Insurance Company
Road Commissioner	Section 8-24-102, <u>TCA</u>	63,527	100,000	"
Director of Schools	State Board of Education and Smith County Board of Education	82,157 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	57,751	560,800	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	57,751	12,500	"
County Clerk	Section 8-24-102, <u>TCA</u>	57,751	50,000	Western Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	57,751	50,000	Cincinnati Insurance Company
Clerk and Master:				
Dianna Dillehay (7-1-09 through 12-31-09)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	28,875 (2)	50,000	"
Thomas Dillehay (1-1-10 through 6-30-10)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	28,876 (3)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	57,751	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> and Section 8-8-102, <u>TCA</u>	63,527 (4)	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	Cincinnati Insurance Company

- (1) Includes a \$1,000 chief executive officer training supplement and a \$1,200 contract supplement.
- (2) Does not include \$1,819 of special commissioner fees.
- (3) Does not include \$3,160 of special commissioner fees.
- (4) Does not include a \$600 law enforcement training supplement.

Exhibit K-6

Smith County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2010

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste/ Sanitation	Ambulance Service	Special Purpose	Drug Control
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,381,977	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	96,023	0	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	57,228	0	0	0	0	0	0
Interest and Penalty	16,855	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	8,535	0	0	0	0	0	0
<u>County Local Option Taxes</u>							
Local Option Sales Tax	661,625	0	0	0	0	0	0
Wheel Tax	0	250,345	0	0	0	0	0
Litigation Tax - General	69,379	24,460	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	51,866	0	0	0	0	0
Business Tax	105,425	0	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0	0
<u>Statutory Local Taxes</u>							
Bank Excise Tax	80,727	0	0	0	0	0	0
Wholesale Beer Tax	59,809	0	0	0	0	0	0
Interstate Telecommunications Tax	1,120	0	0	0	0	0	0
Total Local Taxes	\$ 3,539,678	\$ 326,671	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Animal Registration	0	0	0	0	0	1,628	0
Cable TV Franchise	18,562	0	0	0	0	0	0
<u>Permits</u>							
Beer Permits	2,128	0	0	0	0	0	0
Building Permits	52,800	0	0	0	0	0	0
Total Licenses and Permits	\$ 73,490	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,628	\$ 0

(Continued)

Exhibit K-6

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

	Special Revenue Funds							Drug Control
	General	Courthouse and Jail Maintenance	Public Library	Solid Waste / Sanitation	Ambulance Service	Special Purpose		
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 318	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Jail Fees	0	894	0	0	0	0	0	0
Data Entry Fee - Circuit Court	663	0	0	0	0	0	0	0
Courtroom Security Fee	68	0	0	0	0	0	0	0
<u>Criminal Court</u>								
Data Entry Fee - Criminal Court	19	0	0	0	0	0	0	0
Courtroom Security Fee	53	0	0	0	0	0	0	0
<u>General Sessions Court</u>								
Fines	2,365	0	0	0	0	0	0	0
Game and Fish Fines	529	0	0	0	0	0	0	0
Drug Control Fines	428	0	0	0	0	0	0	1,250
Drug Court Fees	0	0	0	0	0	0	0	25,316
DUI Treatment Fines	4,324	0	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	6,399	0	0	0	0	0	0	0
Courtroom Security Fee	2,175	0	0	0	0	0	0	0
<u>Juvenile Court</u>								
Data Entry Fee - Juvenile Court	4,229	0	0	0	0	0	0	0
<u>Chancery Court</u>								
Officers Costs	2,178	0	0	0	0	0	0	0
Data Entry Fee - Chancery Court	787	0	0	0	0	0	0	0
Courtroom Security Fee	0	70	0	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 24,535	\$ 964	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,566
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 877,648	\$ 0	\$ 0	\$ 0
Other General Service Charges	800	0	0	0	0	0	0	0
<u>Fees</u>								
Recreation Fees	18,675	0	0	0	0	0	7,618	0
Copy Fees	4,029	0	0	0	60	0	0	0

(Continued)

Exhibit K-6

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

	General	Courtthouse and Jail Maintenance	Public Library	Special Revenue Funds					Drug Control
				Waste / Sanitation	Ambulance Service	Special Purpose			
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Library Fees	\$ 0	\$ 0	10,831	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Telephone Commissions	2,035	0	0	0	0	0	0	0	0
Vending Machine Collections	0	0	0	0	0	0	575	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0	0	0	0
Data Processing Fee - Register	6,874	0	0	0	0	0	0	0	0
Data Processing Fee - Sheriff	5,488	0	0	0	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	3,600	0	0	0	0	0	0	0	0
<u>Education Charges</u>									
Tuition - Regular Day Students	0	0	0	0	0	0	175	0	0
Tuition - Adult Education	0	0	0	0	0	0	4,292	0	0
Tuition - Other	20,940	0	0	0	0	0	0	0	0
<u>Other Charges for Services</u>	705	0	0	0	0	0	0	0	0
Other Charges for Services	63,146	0	10,831	0	0	877,708	12,660	0	0
Total Charges for Current Services	\$ 63,146	\$ 0	\$ 10,831	\$ 0	\$ 0	\$ 877,708	\$ 12,660	\$ 0	0
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 138,757	\$ 0	763	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	32,865	0	0	3,206	0	0	522	0	0
Sale of Materials and Supplies	1,005	0	0	0	0	0	25,385	0	0
Sale of Gasoline	0	0	0	0	0	937	0	0	0
Miscellaneous Refunds	32,673	0	0	0	0	6,848	17,840	0	0
<u>Nonrecurring Items</u>									
Sale of Equipment	17,122	0	0	0	0	0	0	0	0
Damages Recovered from Individuals	1,208	0	0	0	0	0	0	0	0
Contributions and Gifts	7,305	0	0	0	0	0	2,650	0	0
<u>Other Local Revenues</u>									
Other Local Revenues	32,092	0	0	0	0	0	13,892	0	0
Total Other Local Revenues	\$ 263,027	\$ 0	\$ 763	\$ 3,206	\$ 7,785	\$ 7,785	\$ 60,289	\$ 0	0

(Continued)

Exhibit K-6

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</u>							
<u>Excess Fees</u>							
County Clerk	644 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
Other Officials	50	0	0	0	0	0	0
<u>Fees in-Lieu-of Salary</u>							
County Clerk	171,686	0	0	0	0	0	0
Circuit Court Clerk	79,117	0	0	0	0	0	0
General Sessions Court Clerk	189,988	0	0	0	0	0	0
Clerk and Master	70,290	0	0	0	0	0	0
Register	69,505	0	0	0	0	0	0
Sheriff	50,697	0	0	0	0	0	0
Trustee	256,318	0	0	0	0	0	0
Total Fees Received from County Officials	\$ 888,295 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
<u>State of Tennessee</u>							
General Government Grants	9,000 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
Juvenile Services Program	14,293	0	0	0	0	0	0
Aging Programs	5,703	0	0	0	0	0	0
State Reappraisal Grant	2,560	0	0	0	0	0	0
Other General Government Grants	14,400	0	0	0	0	0	0
Public Safety Grants	8,918	0	0	0	0	0	0
Law Enforcement Training Programs	0	0	0	0	0	0	0
Health and Welfare Grants	32,266	0	0	0	0	0	0
Health Department Programs	0	0	0	0	0	0	0
Public Works Grants	0	0	0	0	0	0	0
State Aid Program	6,852	0	0	0	0	0	0
Litter Program	81,130	0	0	0	0	0	0
Tennessee Industrial Infrastructure Program	17,778	0	0	0	0	0	0
Other State Revenues							
Flood Control							
Income Tax							
Beer Tax							

(Continued)

Exhibit K-6

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>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Alcoholic Beverage Tax	\$ 32,171	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Revenue Sharing - T.V.A.	445,112	0	0	0	0	0	0
Contracted Prisoner Boarding	76,310	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
Total State of Tennessee	\$ 762,873	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Federal Government</u>							
<u>Federal Through State</u>							
Homeland Security Grants	\$ 19,407	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
ARRA Grant # 1	0	5,021	0	0	0	0	0
ARRA Grant # 2	0	0	0	0	0	0	0
Other Federal through State	18,676	0	0	0	0	0	0
<u>Direct Federal Revenue</u>							
Police Service (Lake Area)	16,965	0	0	0	0	0	0
Other Direct Federal Revenue	30,520	0	0	0	0	0	0
Total Federal Government	\$ 85,568	\$ 5,021	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 60,602	\$ 0	\$ 11,000	\$ 0	\$ 0	\$ 0	\$ 0
Citizens Groups	1,632	0	0	0	0	0	0
Donations	62,234	0	11,000	0	0	0	0
Total Other Governments and Citizens Groups	\$ 5,762,846	\$ 332,656	\$ 22,594	\$ 3,206	\$ 885,493	\$ 74,577	\$ 26,566
Total							

(Continued)

Exhibit K-6

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	Fire Department Building Projects	EMS Building Projects	Flooding Repair Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	0	167,593	418,986	363,123	0	0	0	0	3,331,679
Trustee's Collections - Prior Year	0	6,301	15,750	13,650	0	0	0	0	131,724
Circuit/Clerk & Master Collections - Prior Years	0	4,016	10,040	8,701	0	0	0	0	79,985
Interest and Penalty	0	1,183	2,957	2,563	0	0	0	0	23,558
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	573	1,433	1,242	0	0	0	0	11,783
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	481,929	0	0	0	0	1,143,554
Wheel Tax	0	0	0	845,904	0	0	0	0	1,096,249
Litigation Tax - General	0	0	0	0	0	0	0	0	93,839
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	0	51,866
Business Tax	0	0	0	0	0	0	0	0	105,425
Mineral Severance Tax	0	58,594	0	0	0	0	0	0	58,594
<u>Statutory Local Taxes</u>									
Bank Excise Tax	0	6,210	14,489	12,420	0	0	0	0	113,846
Wholesale Beer Tax	0	0	0	0	0	0	0	0	59,809
Interstate Telecommunications Tax	0	0	0	419	0	0	0	0	1,539
Total Local Taxes	0	244,538	463,826	1,730,099	0	0	0	0	6,304,812
<u>Licenses and Permits</u>									
Licenses									
Animal Registration	0	0	0	0	0	0	0	0	1,628
Cable TV Franchise	0	0	0	0	0	0	0	0	18,562
<u>Permits</u>									
Beer Permits	0	0	0	0	0	0	0	0	2,128
Building Permits	0	0	0	0	0	0	0	0	52,800
Total Licenses and Permits	0	0	0	0	0	0	0	0	75,118

(Continued)

Exhibit K-6

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	Fire Department Building Projects	EMS Building Projects	Flooding Repair Projects	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 318
Jail Fees	0	0	0	0	0	0	0	0	894
Data Entry Fee - Circuit Court	0	0	0	0	0	0	0	0	663
Courtroom Security Fee	0	0	0	0	0	0	0	0	68
<u>Criminal Court</u>									
Data Entry Fee - Criminal Court	0	0	0	0	0	0	0	0	19
Courtroom Security Fee	0	0	0	0	0	0	0	0	53
<u>General Sessions Court</u>									
Fines	0	0	0	0	0	0	0	0	2,365
Game and Fish Fines	0	0	0	0	0	0	0	0	529
Drug Control Fines	0	0	0	0	0	0	0	0	1,678
Drug Court Fees	0	0	0	0	0	0	0	0	25,316
DUI Treatment Fines	0	0	0	0	0	0	0	0	4,324
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	0	0	6,399
Courtroom Security Fee	0	0	0	0	0	0	0	0	2,175
<u>Juvenile Court</u>									
Data Entry Fee - Juvenile Court	0	0	0	0	0	0	0	0	4,229
<u>Chancery Court</u>									
Officers Costs	0	0	0	0	0	0	0	0	2,178
Data Entry Fee - Chancery Court	0	0	0	0	0	0	0	0	787
Courtroom Security Fee	0	0	0	0	0	0	0	0	70
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 52,065
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 877,648
Other General Service Charges	0	0	0	0	0	0	0	0	800
<u>Fees</u>									
Recreation Fees	0	0	0	0	0	0	0	0	26,293
Copy Fees	0	0	0	0	0	0	0	0	4,089

(Continued)

Exhibit K-6

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	Fire Department Building Projects	EMS Building Projects	Flooding Repair Projects	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Library Fees	0	0	0	0	0	0	0	0	10,831
Telephone Commissions	0	0	0	0	0	0	0	0	2,035
Vending Machine Collections	0	0	0	0	0	0	0	0	575
Special Commissioner Fees/Special Master Fees	4,979	0	0	0	0	0	0	0	4,979
Data Processing Fee - Register	0	0	0	0	0	0	0	0	6,874
Data Processing Fee - Sheriff	0	0	0	0	0	0	0	0	5,488
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	0	0	3,600
<u>Education Charges</u>									
Tuition - Regular Day Students	0	0	0	0	0	0	0	0	175
Tuition - Adult Education	0	0	0	0	0	0	0	0	4,292
Tuition - Other	0	0	0	0	0	0	0	0	20,940
<u>Other Charges for Services</u>									
Other Charges for Services	0	0	0	0	0	0	0	0	705
Total Charges for Current Services	4,979	0	0	0	0	0	0	0	969,324
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	0	0	0	0	0	0	0	0	139,520
Lease/Rentals	0	0	109,538	0	0	0	0	0	146,131
Sale of Materials and Supplies	0	0	0	0	0	0	0	0	26,390
Sale of Gasoline	0	0	0	0	0	0	0	0	937
Miscellaneous Refunds	0	524	0	0	0	6,589	0	44	64,518
<u>Nonrecurring Items</u>									
Sale of Equipment	0	0	0	0	0	0	0	0	17,122
Damages Recovered from Individuals	0	0	0	0	0	0	0	0	1,208
Contributions and Gifts	0	0	0	0	0	0	0	0	9,955
<u>Other Local Revenues</u>									
Other Local Revenues	0	8,211	0	0	0	0	0	0	54,195
Total Other Local Revenues	0	8,735	109,538	0	0	6,589	0	44	459,976

(Continued)

Exhibit K-6

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	Fire Department Building Projects	EMS Building Projects	Flooding Repair Projects	
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	644
Other Officials	0	0	0	0	0	0	0	0	50
<u>Fees in-Lieu-of Salary</u>									
County Clerk	0	0	0	0	0	0	0	0	171,686
Circuit Court Clerk	0	0	0	0	0	0	0	0	79,117
General Sessions Court Clerk	0	0	0	0	0	0	0	0	189,988
Clerk and Master	0	0	0	0	0	0	0	0	70,290
Register	0	0	0	0	0	0	0	0	69,505
Sheriff	0	0	0	0	0	0	0	0	50,697
Trustee	0	0	0	0	0	0	0	0	256,318
Total Fees Received from County Officials	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	888,295
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	9,000
Aging Programs	0	0	0	0	0	0	0	0	14,293
State Reappraisal Grant	0	0	0	0	0	0	0	0	5,703
Other General Government Grants	0	0	0	0	0	0	0	0	2,560
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	0	0	0	0	0	0	0	0	14,400
Health and Welfare Grants	0	0	0	0	0	0	0	0	8,918
<u>Public Works Grants</u>									
State Aid Program	0	103,405	0	0	0	0	0	0	103,405
Litter Program	0	0	0	0	0	0	0	0	32,266
Tennessee Industrial Infrastructure Program	0	0	0	0	0	0	103,431	0	103,431
<u>Other State Revenues</u>									
Flood Control	0	0	0	0	0	0	0	0	6,852
Income Tax	0	0	0	0	0	0	0	0	81,130
Beer Tax	0	0	0	0	0	0	0	0	17,778

(Continued)

Exhibit K-6

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	Fire Department Building Projects	EMS Building Projects	Flooding Repair Projects			
<u>State of Tennessee (Cont.)</u>											
<u>Other State Revenues (Cont.)</u>											
Alcoholic Beverage Tax	0	0	0	0	0	0	0	0	0	0	32,171
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	0	0	0	0	445,112
Contracted Prisoner Boarding	0	0	0	0	0	0	0	0	0	0	76,310
Gasoline and Motor Fuel Tax	0	1,442,881	0	0	0	0	0	0	0	0	1,442,881
Petroleum Special Tax	0	14,225	0	0	0	0	0	0	0	0	14,225
Registrar's Salary Supplement	0	0	0	0	0	0	0	0	0	0	16,380
Total State of Tennessee	0	1,560,511	0	0	0	0	103,431	0	0	0	2,426,815
<u>Federal Government</u>											
<u>Federal Through State</u>											
Homeland Security Grants	0	0	0	0	0	0	0	0	0	0	19,407
ARRA Grant # 1	0	0	0	0	0	0	0	0	0	0	5,021
ARRA Grant # 2	0	0	0	0	0	0	6,062	0	0	0	6,062
Other Federal through State	0	0	0	0	45,613	0	0	0	0	0	64,289
<u>Direct Federal Revenue</u>											
Police Service (Lake Area)	0	0	0	0	0	0	0	0	0	0	16,965
Other Direct Federal Revenue	0	0	0	0	0	0	0	0	0	0	30,520
Total Federal Government	0	0	0	0	45,613	0	6,062	0	0	0	142,264
<u>Other Governments and Citizens Groups</u>											
<u>Other Governments</u>											
Contributions	0	0	0	296,000	25,000	0	0	18,812	0	0	411,414
<u>Citizens Groups</u>											
Donations	0	0	0	0	0	0	0	0	0	0	1,632
Total Other Governments and Citizens Groups	0	0	0	296,000	25,000	0	18,812	0	0	0	413,046
Total	4,979	1,813,784	573,364	2,026,099	70,613	6,589	128,305	44	0	0	11,731,715

Exhibit K-7

Smith County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Smith County School Department
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,790,959	\$ 0	\$ 0	\$ 2,790,959
Trustee's Collections - Prior Year	104,477	0	0	104,477
Circuit/Clerk & Master Collections - Prior Years	66,599	0	0	66,599
Interest and Penalty	19,615	0	0	19,615
Payments in-Lieu-of Taxes - T.V.A.	1,135	0	0	1,135
Payments in-Lieu-of Taxes - Other	9,504	0	0	9,504
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,282,668	0	0	1,282,668
<u>Statutory Local Taxes</u>				
Bank Excise Tax	93,146	0	0	93,146
Interstate Telecommunications Tax	978	0	0	978
Total Local Taxes	\$ 4,369,081	\$ 0	\$ 0	\$ 4,369,081
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,528	\$ 0	\$ 0	\$ 1,528
Total Licenses and Permits	\$ 1,528	\$ 0	\$ 0	\$ 1,528
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 1,500	\$ 0	\$ 0	\$ 1,500
Lunch Payments - Children	0	0	379,990	379,990
Lunch Payments - Adults	0	0	68,085	68,085
Income from Breakfast	0	0	61,970	61,970
Special Milk Sales	0	0	12,562	12,562
A la carte Sales	0	0	70,889	70,889
Receipts from Individual Schools	30,210	0	1,392	31,602
Total Charges for Current Services	\$ 31,710	\$ 0	\$ 594,888	\$ 626,598
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 7,783	\$ 0	\$ 3,767	\$ 11,550
Lease/Rentals	3	0	0	3
Sale of Materials and Supplies	1,380	0	0	1,380
Refund of Telecommunication & Internet Fees (E-Rate)	19,006	0	0	19,006
Miscellaneous Refunds	27,107	74	22,565	49,746
<u>Nonrecurring Items</u>				
Sale of Equipment	4,645	0	0	4,645
Contributions and Gifts	570	0	0	570
<u>Other Local Revenues</u>				
Other Local Revenues	217	0	0	217
Total Other Local Revenues	\$ 60,711	\$ 74	\$ 26,332	\$ 87,117
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 87,899	\$ 0	\$ 0	\$ 87,899
<u>State Education Funds</u>				
Basic Education Program	14,448,506	0	0	14,448,506

(Continued)

Exhibit K-7

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	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Basic Education Program - ARRA	\$ 594,000	\$ 0	\$ 0	\$ 594,000
Early Childhood Education	478,548	0	0	478,548
School Food Service	0	0	20,009	20,009
Driver Education	11,599	0	0	11,599
Other State Education Funds	5,723	0	0	5,723
Coordinated School Health - ARRA	100,000	0	0	100,000
Internet Connectivity - ARRA	9,316	0	0	9,316
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	8,080	0	0	8,080
Career Ladder Program	132,531	0	0	132,531
Career Ladder - Extended Contract - ARRA	1,141	0	0	1,141
<u>Other State Revenues</u>				
Other State Grants	0	20,452	0	20,452
Safe Schools - ARRA	9,688	0	0	9,688
Total State of Tennessee	\$ 15,920,331	\$ 20,452	\$ 20,009	\$ 15,960,792
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 744,583	\$ 744,583
USDA - Commodities	0	0	104,653	104,653
Breakfast	0	0	288,010	288,010
USDA - Other	0	0	2,815	2,815
USDA Food Service Equipment Grant - ARRA	0	0	16,760	16,760
Adult Education State Grant Program	0	76,024	0	76,024
Vocational Education - Basic Grants to States	0	51,012	0	51,012
Title I Grants to Local Education Agencies	0	733,174	0	733,174
Special Education - Grants to States	23,971	1,321,652	0	1,345,623
Special Education Preschool Grants	0	32,461	0	32,461
Safe and Drug-free Schools - State Grants	0	10,190	0	10,190
Education for Homeless Children and Youth	0	1,210	0	1,210
Eisenhower Professional Development State Grants	0	164,800	0	164,800
Other Federal through State	84,606	29,450	0	114,056
Total Federal Government	\$ 108,577	\$ 2,419,973	\$ 1,156,821	\$ 3,685,371
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 12,369	\$ 0	\$ 0	\$ 12,369
Total Other Governments and Citizens Groups	\$ 12,369	\$ 0	\$ 0	\$ 12,369
Total	\$ 20,504,307	\$ 2,440,499	\$ 1,798,050	\$ 24,742,856

Exhibit K-8

Smith County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Other Salaries and Wages	\$	358	
Board and Committee Members Fees		18,595	
Other Per Diem and Fees		6,388	
Social Security		1,398	
Audit Services		5,314	
Dues and Memberships		2,366	
Other Contracted Services		1,189	
Total County Commission			\$ 35,608

Board of Equalization

Board and Committee Members Fees	\$	1,740	
Total Board of Equalization			1,740

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Salary Supplements		800	
Secretary(ies)		52,875	
Overtime Pay		3,119	
Social Security		9,271	
State Retirement		7,821	
Medical Insurance		2,681	
Communication		4,847	
Dues and Memberships		1,200	
Operating Lease Payments		3,723	
Maintenance and Repair Services - Office Equipment		564	
Travel		862	
Office Supplies		7,105	
Premiums on Corporate Surety Bonds		607	
Data Processing Equipment		5,771	
Office Equipment		634	
Total County Mayor/Executive			168,582

County Attorney

County Official/Administrative Officer	\$	47,934	
Total County Attorney			47,934

Election Commission

County Official/Administrative Officer	\$	51,976	
Clerical Personnel		24,566	
Election Commission		1,300	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	5,808	
State Retirement		4,960	
Advertising		703	
Communication		1,272	
Printing, Stationery, and Forms		615	
Travel		663	
Office Supplies		1,727	
Other Charges		11,028	
Total Election Commission			\$ 104,618

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		48,018	
Data Processing Personnel		6,829	
Social Security		8,045	
State Retirement		6,847	
Communication		746	
Dues and Memberships		397	
Operating Lease Payments		4,060	
Office Supplies		2,576	
Premiums on Corporate Surety Bonds		125	
Total Register of Deeds			135,394

Planning

Other Per Diem and Fees	\$	2,375	
Dues and Memberships		9,250	
Total Planning			11,625

Codes Compliance

County Official/Administrative Officer	\$	41,837	
Deputy(ies)		12,312	
Social Security		3,971	
State Retirement		2,726	
Medical Insurance		2,640	
Advertising		299	
Communication		1,527	
Maintenance and Repair Services - Vehicles		236	
Gasoline		192	
Office Supplies		2,457	
Road Signs		10,463	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Codes Compliance (Cont.)

Office Equipment	\$ 85	
Total Codes Compliance		\$ 78,745

County Buildings

Deputy(ies)	\$ 102,036	
Overtime Pay	2,637	
Social Security	7,692	
State Retirement	4,982	
Medical Insurance	7,260	
Communication	5,485	
Contracts with Private Agencies	4,464	
Maintenance and Repair Services - Buildings	51,286	
Maintenance and Repair Services - Equipment	2,493	
Maintenance and Repair Services - Vehicles	2,159	
Rentals	4,183	
Custodial Supplies	3,667	
Gasoline	12,467	
Utilities	154,519	
Other Supplies and Materials	3,534	
Building Improvements	10,000	
Total County Buildings		378,864

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	48,018	
Social Security	8,069	
State Retirement	6,845	
Advertising	124	
Communication	1,992	
Contracts with Government Agencies	7,135	
Dues and Memberships	1,080	
Postal Charges	1,262	
Travel	4,490	
Other Contracted Services	6,167	
Office Supplies	92	
Premiums on Corporate Surety Bonds	75	
Refunds	437	
Total Property Assessor's Office		143,537

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Deputy(ies)	\$	12,994	
Social Security		994	
Contracts with Government Agencies		1,984	
Total Reappraisal Program			\$ 15,972

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		48,018	
Social Security		7,542	
State Retirement		6,863	
Communication		1,160	
Dues and Memberships		397	
Legal Notices, Recording, and Court Costs		108	
Postal Charges		3,198	
Office Supplies		1,000	
Premiums on Corporate Surety Bonds		2,936	
Data Processing Equipment		5,820	
Office Equipment		326	
Total County Trustee's Office			135,119

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		94,695	
Overtime Pay		2,470	
Social Security		10,678	
State Retirement		10,090	
Medical Insurance		5,280	
Advertising		131	
Communication		928	
Dues and Memberships		497	
Postal Charges		2,590	
Printing, Stationery, and Forms		364	
Office Supplies		640	
Premiums on Corporate Surety Bonds		400	
Office Equipment		10,963	
Total County Clerk's Office			197,477

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Deputy(ies)	\$ 117,909	
Jury and Witness Expense	9,489	
Social Security	12,897	
State Retirement	9,959	
Medical Insurance	5,280	
Communication	4,077	
Dues and Memberships	397	
Operating Lease Payments	1,843	
Postal Charges	1,904	
Office Supplies	9,321	
Premiums on Corporate Surety Bonds	775	
Data Processing Equipment	9,363	
Total Circuit Court		\$ 240,965

General Sessions Judge

Judge(s)	\$ 82,324	
In-Service Training	346	
Social Security	6,237	
State Retirement	5,329	
Communication	227	
Travel	498	
Other Charges	3,586	
Total General Sessions Judge		98,547

Chancery Court

County Official/Administrative Officer	\$ 57,751	
Deputy(ies)	24,566	
Jury and Witness Expense	227	
Social Security	6,064	
State Retirement	3,527	
Medical Insurance	2,200	
Communication	641	
Dues and Memberships	397	
Operating Lease Payments	1,803	
Office Supplies	2,506	
Premiums on Corporate Surety Bonds	450	
Data Processing Equipment	2,996	
Total Chancery Court		103,128

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

County Official/Administrative Officer	\$	16,110	
Other Salaries and Wages		1,990	
Social Security		1,380	
Communication		602	
Travel		624	
Total Judicial Commissioners			\$ 20,706

Other Administration of Justice

Other Charges	\$	2,100	
Total Other Administration of Justice			2,100

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Deputy(ies)		220,915	
Detective(s)		71,761	
Captain(s)		36,629	
Sergeant(s)		196,103	
Paraprofessionals		31,485	
Salary Supplements		14,372	
Dispatchers/Radio Operators		111,218	
Guards		28,680	
Clerical Personnel		29,739	
Attendants		77,512	
School Resource Officer		52,242	
Overtime Pay		132,496	
Other Salaries and Wages		15,611	
In-Service Training		13,871	
Social Security		82,824	
State Retirement		68,340	
Medical Insurance		21,560	
Communication		19,331	
Confidential Drug Enforcement Payments		32,430	
Dues and Memberships		1,500	
Operating Lease Payments		3,952	
Maintenance and Repair Services - Office Equipment		63	
Maintenance and Repair Services - Vehicles		39,071	
Medical and Dental Services		2,035	
Travel		1,900	
Animal Food and Supplies		134	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Gasoline	\$ 75,784	
Office Supplies	14,492	
Uniforms	3,234	
Other Supplies and Materials	804	
Judgments	1,303	
Premiums on Corporate Surety Bonds	250	
Other Charges	6,537	
Law Enforcement Equipment	8,491	
Motor Vehicles	164,379	
Other Equipment	17,643	
Total Sheriff's Department		\$ 1,662,218

Traffic Control

Traffic Control Equipment	\$ 1,076	
Total Traffic Control		1,076

Jail

Cafeteria Personnel	\$ 20,279	
Overtime Pay	1,031	
Social Security	1,604	
State Retirement	1,100	
Medical and Dental Services	105,620	
Custodial Supplies	6,834	
Food Supplies	48,771	
Other Supplies and Materials	2,562	
Total Jail		187,801

Correctional Incentive Program Improvements

Deputy(ies)	\$ 291,338	
Overtime Pay	30,640	
Social Security	23,650	
State Retirement	11,259	
Medical Insurance	10,120	
Total Correctional Incentive Program Improvements		367,007

Juvenile Services

Youth Service Officer(s)	\$ 25,000	
Social Security	1,975	
State Retirement	1,617	
Communication	888	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Other Contracted Services	\$	3,000	
Drugs and Medical Supplies		251	
Office Supplies		178	
Other Charges		825	
Total Juvenile Services			\$ 33,734

Fire Prevention and Control

Deputy(ies)	\$	12,006	
Social Security		918	
Advertising		100	
Maintenance and Repair Services - Equipment		3,001	
Maintenance and Repair Services - Vehicles		6,914	
Rentals		13,989	
Other Contracted Services		65,375	
Gasoline		2,291	
Utilities		8,844	
Other Charges		2,456	
Other Equipment		3,830	
Total Fire Prevention and Control			119,724

Rescue Squad

Contributions	\$	30,000	
Total Rescue Squad			30,000

Other Emergency Management

Supervisor/Director	\$	15,492	
Social Security		1,186	
Communication		3,785	
Maintenance and Repair Services - Vehicles		2,283	
Other Contracted Services		2,268	
Gasoline		1,953	
Office Supplies		221	
Office Equipment		3,023	
Other Equipment		4,068	
Total Other Emergency Management			34,279

Inspection and Regulation

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

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Other Contracted Services	\$ 28,135	
Other Supplies and Materials	200	
Total County Coroner/Medical Examiner		\$ 28,335

Other Public Safety

Deputy(ies)	\$ 9,120	
Dispatchers/Radio Operators	146,209	
Longevity Pay	3,141	
Overtime Pay	17,652	
Social Security	12,773	
State Retirement	10,901	
Medical Insurance	5,720	
Total Other Public Safety		205,516

Public Health and Welfare

Local Health Center

Communication	\$ 2,913	
Dues and Memberships	200	
Maintenance and Repair Services - Buildings	1,724	
Custodial Supplies	871	
Drugs and Medical Supplies	480	
Office Supplies	102	
Utilities	14,929	
Total Local Health Center		21,219

Other Local Health Services

Supervisor/Director	\$ 27,040	
Other Salaries and Wages	1,072	
Social Security	2,151	
State Retirement	1,750	
Advertising	220	
Communication	1,313	
Contributions	9,042	
Rentals	1,539	
Instructional Supplies and Materials	215	
Office Supplies	290	
Utilities	5,725	
Other Charges	1,648	
Building Improvements	201	
Total Other Local Health Services		52,206

(Continued)

Exhibit K-8

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	\$ 13,772	
Total Appropriation to State		\$ 13,772

Other Local Welfare Services

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

Waste Pickup

Supervisor/Director	\$ 14,522	
Social Security	1,111	
Maintenance and Repair Services - Vehicles	829	
Gasoline	2,456	
Instructional Supplies and Materials	4,106	
Other Charges	3,842	
Total Waste Pickup		26,866

Other Public Health and Welfare

Other Salaries and Wages	\$ 3,241	
Social Security	248	
Travel	829	
Other Contracted Services	2,909	
Office Supplies	1,720	
Total Other Public Health and Welfare		8,947

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$ 23,285	
Social Security	1,478	
State Retirement	1,528	
Medical Insurance	2,420	
Communication	859	
Travel	1,486	
Office Supplies	545	
Utilities	12,506	
Other Supplies and Materials	678	
Office Equipment	1,369	
Total Senior Citizens Assistance		46,154

Parks and Fair Boards

Communication	\$ 580	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Parks and Fair Boards (Cont.)

Other Supplies and Materials	\$	4,418	
Other Charges		9,446	
Building Improvements		37,163	
Other Equipment		2,405	
Total Parks and Fair Boards			\$ 54,012

Other Social, Cultural, and Recreational

Other Supplies and Materials	\$	4,468	
Site Development		32,406	
Total Other Social, Cultural, and Recreational			36,874

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	29,403	
Secretary(ies)		6,877	
Social Security		2,360	
State Retirement		4,419	
Communication		2,760	
Rentals		7,140	
Other Charges		3,520	
Total Agriculture Extension Service			56,479

Soil Conservation

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

Other Agriculture and Natural Resources

Maintenance and Repair Services - Buildings	\$	21,404	
Custodial Supplies		1,087	
Utilities		18,383	
Refunds		800	
Other Charges		2,763	
Total Other Agriculture and Natural Resources			44,437

Other Operations

Tourism

Contributions	\$	300	
Printing, Stationery, and Forms		205	
Total Tourism			505

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Advertising	\$	504	
Dues and Memberships		20	
Other Charges		622	
Total Industrial Development			\$ 1,146

Other Economic and Community Development

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

Veterans' Services

Supervisor/Director	\$	8,767	
Social Security		671	
Communication		522	
Travel		615	
Office Supplies		204	
Total Veterans' Services			10,779

Other Charges

Building and Contents Insurance	\$	29,783	
Liability Insurance		45,000	
Vehicle and Equipment Insurance		34,665	
Workers' Compensation Insurance		90,237	
Other Charges		9,136	
Total Other Charges			208,821

Employee Benefits

Longevity Pay	\$	16,309	
Social Security		1,248	
State Retirement		1,055	
Life Insurance		3,362	
Unemployment Compensation		19,580	
Total Employee Benefits			41,554

Miscellaneous

Contributions	\$	22,965	
Dues and Memberships		2,750	
Other Supplies and Materials		2,092	
Premiums on Corporate Surety Bonds		300	
Refunds		109,500	
Trustee's Commission		69,731	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Other Charges	\$ 48,463	
Bridge Construction	8,217	
Building Improvements	<u>153,783</u>	
Total Miscellaneous		\$ 417,801

Principal on Debt

General Government

Principal on Bonds	\$ 49,424	
Principal on Notes	44,803	
Principal on Capital Leases	<u>49,066</u>	
Total General Government		143,293

Interest on Debt

General Government

Interest on Bonds	\$ 56,250	
Interest on Notes	5,309	
Interest on Capital Leases	<u>2,802</u>	
Total General Government		<u>64,361</u>

Total General Fund \$ 5,891,028

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ <u>22,200</u>	
Total County Buildings		\$ 22,200

Other Operations

ARRA Grant # 1

Other Equipment	\$ <u>5,021</u>	
Total ARRA Grant # 1		5,021

Miscellaneous

Trustee's Commission	\$ <u>3,286</u>	
Total Miscellaneous		3,286

Principal on Debt

General Government

Principal on Other Loans	\$ <u>22,535</u>	
Total General Government		22,535

(Continued)

Exhibit K-8

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	\$ 252,910	
Total General Government		\$ 252,910

Other Debt Service

General Government

Other Debt Service	\$ 28,138	
Total General Government		28,138

Capital Projects

Administration of Justice Projects

Engineering Services	\$ 94,482	
Permits	75	
Other Charges	93	
Building Construction	5,532,754	
Total Administration of Justice Projects		<u>5,627,404</u>

Total Courthouse and Jail Maintenance Fund		\$ 5,961,494
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Public Library Fund

Social, Cultural, and Recreational Services

Libraries

Other Salaries and Wages	\$ 58,814	
Rentals	2,100	
Library Books/Media	15,956	
Office Supplies	10,159	
Utilities	3,133	
Total Libraries		<u>\$ 90,162</u>

Total Public Library Fund		90,162
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Overtime Pay	\$ 848	
Other Salaries and Wages	56,789	
Social Security	4,106	
State Retirement	3,724	
Medical Insurance	2,640	
Communication	572	
Maintenance and Repair Services - Equipment	10,711	

(Continued)

Exhibit K-8

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.)

Gasoline	\$ 22,944	
Other Supplies and Materials	1	
Total Waste Pickup		\$ 102,335

Convenience Centers

Other Salaries and Wages	\$ 142,000	
Social Security	10,745	
Communication	2,960	
Maintenance and Repair Services - Buildings	1,250	
Maintenance and Repair Services - Equipment	742	
Rentals	6,285	
Utilities	6,015	
Other Supplies and Materials	2,050	
Other Equipment	431	
Total Convenience Centers		172,478

Other Waste Disposal

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

Other Operations

Employee Benefits

Longevity Pay	\$ 551	
Social Security	42	
State Retirement	36	
Total Employee Benefits		629

Principal on Debt

General Government

Principal on Capital Leases	\$ 72,452	
Total General Government		72,452

Interest on Debt

General Government

Interest on Capital Leases	\$ 3,215	
Total General Government		3,215

Total Solid Waste/Sanitation Fund \$ 351,141

(Continued)

Exhibit K-8

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	\$ 420,303	
Longevity Pay	4,238	
Overtime Pay	146,386	
In-Service Training	13,606	
Social Security	41,744	
State Retirement	28,330	
Medical Insurance	14,638	
Communication	13,866	
Laundry Service	3,936	
Licenses	2,365	
Maintenance and Repair Services - Equipment	5,931	
Maintenance and Repair Services - Vehicles	19,086	
Medical and Dental Services	579	
Printing, Stationery, and Forms	802	
Custodial Supplies	2,161	
Drugs and Medical Supplies	39,598	
Gasoline	38,669	
Office Supplies	7,579	
Uniforms	8,800	
Utilities	16,210	
Other Supplies and Materials	9,789	
Building and Contents Insurance	1,150	
Liability Insurance	1,200	
Premiums on Corporate Surety Bonds	200	
Refunds	1,546	
Trustee's Commission	8,720	
Vehicle and Equipment Insurance	4,400	
Workers' Compensation Insurance	65,913	
Other Charges	10,786	
Building Construction	10,053	
Building Improvements	5,029	
Data Processing Equipment	6,867	
Land	9,980	
Motor Vehicles	76,443	
Site Development	1,921	
Total Ambulance/Emergency Medical Services		<u>\$ 1,042,824</u>

Total Ambulance Service Fund \$ 1,042,824

(Continued)

Exhibit K-8

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

Special Purpose Fund

Other Operations

Miscellaneous

Other Per Diem and Fees	\$ 18,546	
Contributions	26,231	
Dues and Memberships	80	
Other Contracted Services	3,860	
Gasoline	301	
Other Supplies and Materials	2,578	
Other Charges	42,605	
Total Miscellaneous		<u>\$ 94,201</u>

Total Special Purpose Fund \$ 94,201

Drug Control Fund

Public Safety

Sheriff's Department

Instructional Supplies and Materials	\$ 2,496	
Law Enforcement Equipment	400	
Total Sheriff's Department		<u>\$ 2,896</u>

Drug Enforcement

Trustee's Commission	\$ 247	
Total Drug Enforcement		<u>247</u>

Total Drug Control Fund 3,143

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 4,979	
Total Chancery Court		<u>\$ 4,979</u>

Total Constitutional Officers - Fees Fund 4,979

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 63,527	
Accountants/Bookkeepers	39,914	
Overtime Pay	4,108	
Other Salaries and Wages	28,441	
Advertising	337	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Communication	\$	5,939	
Data Processing Services		5,405	
Dues and Memberships		2,948	
Freight Expenses		21	
Medical and Dental Services		740	
Postal Charges		444	
Printing, Stationery, and Forms		466	
Drugs and Medical Supplies		351	
Electricity		5,122	
Natural Gas		2,341	
Office Supplies		6,190	
Water and Sewer		208	
Other Charges		1,196	
Communication Equipment		138	
Data Processing Equipment		6,779	
Total Administration			\$ 174,615

Highway and Bridge Maintenance

Foremen	\$	37,805	
Equipment Operators		145,403	
Truck Drivers		92,271	
Laborers		171,442	
Overtime Pay		9,602	
Other Contracted Services		90,114	
Asphalt - Cold Mix		208,685	
Concrete		752	
Crushed Stone		154,552	
Other Road Supplies		1,455	
Pipe		46,595	
Road Signs		2,338	
Salt		12,179	
Wood Products		4,218	
Other Charges		277	
Total Highway and Bridge Maintenance			977,688

Operation and Maintenance of Equipment

Mechanic(s)	\$	55,483	
Overtime Pay		1,928	
Freight Expenses		938	
Maintenance and Repair Services - Equipment		613	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Tow-in Services	\$	1,800	
Custodial Supplies		4,274	
Diesel Fuel		59,804	
Equipment and Machinery Parts		48,594	
Garage Supplies		2,337	
Gasoline		36,197	
Lubricants		12,030	
Small Tools		6,667	
Tires and Tubes		9,965	
Vehicle Parts		18,567	
Other Supplies and Materials		2,083	
Other Charges		99	
Total Operation and Maintenance of Equipment			\$ 261,379

Other Charges

Building and Contents Insurance	\$	1,555	
Liability Insurance		3,363	
Trustee's Commission		18,675	
Vehicle and Equipment Insurance		10,034	
Workers' Compensation Insurance		48,516	
Total Other Charges			82,143

Employee Benefits

Social Security	\$	48,755	
State Retirement		37,028	
Employee and Dependent Insurance		258,803	
Unemployment Compensation		11,734	
Total Employee Benefits			356,320

Capital Outlay

Building Improvements	\$	273	
Highway Equipment		2,500	
State Aid Projects		131,702	
Total Capital Outlay			134,475

Principal on Debt

Highways and Streets

Principal on Notes	\$	51,179	
Total Highways and Streets			51,179

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Interest on Debt

Highways and Streets

Interest on Notes	\$ 3,281	
Total Highways and Streets		\$ 3,281

Total Highway/Public Works Fund		\$ 2,041,080
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General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 4,432	
Principal on Notes	347,194	
Principal on Other Loans	77,455	
Total General Government		\$ 429,081

Interest on Debt

General Government

Interest on Bonds	\$ 15,091	
Interest on Notes	70,436	
Interest on Other Loans	6,455	
Total General Government		91,982

Other Debt Service

General Government

Trustee's Commission	\$ 10,152	
Other Debt Service	9,181	
Total General Government		19,333

Total General Debt Service Fund		540,396
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Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 1,030,000	
Total Education		\$ 1,030,000

Interest on Debt

Education

Interest on Bonds	\$ 798,762	
Total Education		798,762

(Continued)

Exhibit K-8

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

Education Debt Service Fund (Cont.)

Other Debt Service

Education

Bank Charges	\$ 1,044	
Trustee's Commission	21,163	
Total Education	<u>22,207</u>	\$ 22,207

Total Education Debt Service Fund \$ 1,850,969

General Capital Projects Fund

Capital Projects

Other General Government Projects

Advertising	\$ 1,181	
Engineering Services	16,290	
Other Charges	6,589	
Building Construction	300,498	
Total Other General Government Projects	<u>324,558</u>	\$ 324,558

Total General Capital Projects Fund 324,558

Farmer's Market Projects Fund

Other Operations

Miscellaneous

Other Charges	\$ 200	
Total Miscellaneous	<u>200</u>	\$ 200

Total Farmer's Market Projects Fund 200

EMS Building Projects Fund

Other Operations

ARRA Grant # 2

Engineering Services	\$ 6,062	
Total ARRA Grant # 2	<u>6,062</u>	\$ 6,062

Capital Projects

Public Safety Projects

Engineering Services	\$ 19,650	
Building Construction	17,484	
Total Public Safety Projects	<u>37,134</u>	37,134

Other General Government Projects

Engineering Services	\$ 26,709	
Other Construction	95,243	
Total Other General Government Projects	<u>121,952</u>	121,952

Total EMS Building Projects Fund 165,148

(Continued)

Exhibit K-8

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

<u>Flooding Repair Projects Fund</u>		
<u>Other Operations</u>		
<u>Miscellaneous</u>		
Other Charges	\$ 1,060	
Total Miscellaneous	<u>1,060</u>	\$ 1,060
 Total Flooding Repair Projects Fund		<u>\$ 1,060</u>
 Total Governmental Funds - Primary Government		<u>\$ 18,362,383</u>

Exhibit K-9

Smith County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Smith County School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,055,176	
Career Ladder Program	83,900	
Career Ladder Extended Contracts	25,813	
Educational Assistants	280,096	
Other Salaries and Wages	1,270	
Certified Substitute Teachers	37,201	
Non-certified Substitute Teachers	53,009	
Social Security	440,504	
State Retirement	471,509	
Medical Insurance	1,208,886	
Unemployment Compensation	4,034	
Employer Medicare	104,001	
Maintenance and Repair Services - Equipment	9,178	
Other Contracted Services	1,039	
Instructional Supplies and Materials	138,602	
Textbooks	198,766	
Other Supplies and Materials	11,937	
Fee Waivers	19,810	
Other Charges	1,828	
Regular Instruction Equipment	134,687	
Total Regular Instruction Program		\$ 10,281,246

Alternative Instruction Program

Teachers	\$ 41,404	
Career Ladder Program	1,000	
Career Ladder Extended Contracts	2,545	
Social Security	2,766	
State Retirement	2,886	
Medical Insurance	5,217	
Unemployment Compensation	18	
Employer Medicare	647	
Other Supplies and Materials	87	
Total Alternative Instruction Program		56,570

Special Education Program

Teachers	\$ 560,044
Career Ladder Program	9,300
Career Ladder Extended Contracts	3,954
Educational Assistants	33,124

(Continued)

Exhibit K-9

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	\$	37,194	
Other Salaries and Wages		266	
Certified Substitute Teachers		1,530	
Non-certified Substitute Teachers		5,573	
Social Security		37,567	
State Retirement		39,584	
Medical Insurance		120,235	
Unemployment Compensation		485	
Employer Medicare		8,860	
Maintenance and Repair Services - Equipment		558	
Other Contracted Services		1,625	
Instructional Supplies and Materials		1,317	
Other Charges		683	
Total Special Education Program	\$		861,899

Vocational Education Program

Teachers	\$	500,552	
Career Ladder Program		4,000	
Career Ladder Extended Contracts		1,000	
Certified Substitute Teachers		3,550	
Non-certified Substitute Teachers		3,566	
Social Security		29,897	
State Retirement		32,444	
Medical Insurance		95,899	
Unemployment Compensation		266	
Employer Medicare		6,992	
Maintenance and Repair Services - Equipment		587	
Instructional Supplies and Materials		10,787	
Other Charges		27	
Total Vocational Education Program			689,567

Support Services

Attendance

Supervisor/Director	\$	45,503	
Career Ladder Extended Contracts		4,000	
Social Workers		33,427	
Social Security		4,893	
State Retirement		5,324	
Medical Insurance		14,422	

(Continued)

Exhibit K-9

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.)

Unemployment Compensation	\$	45	
Employer Medicare		1,144	
Travel		1,722	
Other Contracted Services		8,596	
Other Supplies and Materials		675	
Attendance Equipment		8,889	
Total Attendance			\$ 128,640

Health Services

Supervisor/Director	\$	48,500	
Medical Personnel		73,885	
Other Salaries and Wages		6,410	
Social Security		7,343	
State Retirement		8,272	
Medical Insurance		24,265	
Unemployment Compensation		69	
Employer Medicare		1,717	
Travel		9,621	
Drugs and Medical Supplies		170	
Other Supplies and Materials		27,561	
Health Equipment		1,784	
Total Health Services			209,597

Other Student Support

Career Ladder Program	\$	5,000	
Guidance Personnel		256,957	
Career Ladder Extended Contracts		5,691	
Other Salaries and Wages		19,901	
Social Security		15,186	
State Retirement		15,994	
Medical Insurance		42,368	
Unemployment Compensation		132	
Employer Medicare		3,899	
Contracts with Government Agencies		60,602	
Evaluation and Testing		45,570	
Travel		272	
Other Charges		5,341	
Total Other Student Support			476,913

(Continued)

Exhibit K-9

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

Supervisor/Director	\$	84,942	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		1,000	
Librarians		218,145	
Instructional Computer Personnel		90,888	
In-Service Training		1,400	
Social Security		23,700	
State Retirement		25,906	
Medical Insurance		57,435	
Unemployment Compensation		177	
Employer Medicare		5,543	
Travel		14,406	
Other Contracted Services		1,060	
Library Books/Media		3,279	
Other Supplies and Materials		10,115	
In Service/Staff Development		31,070	
Other Charges		1,569	
Total Regular Instruction Program			\$ 576,635

Special Education Program

Supervisor/Director	\$	57,193	
Career Ladder Program		1,000	
Psychological Personnel		44,601	
Social Security		6,257	
State Retirement		6,599	
Medical Insurance		15,947	
Unemployment Compensation		33	
Employer Medicare		1,463	
Communication		480	
Travel		4,828	
Total Special Education Program			138,401

Vocational Education Program

Supervisor/Director	\$	31,884	
Clerical Personnel		6,246	
Social Security		387	
State Retirement		404	
Unemployment Compensation		23	
Employer Medicare		553	

(Continued)

Exhibit K-9

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.)

Travel	\$	935	
Other Supplies and Materials		111	
Total Vocational Education Program			\$ 40,543

Other Programs

On-Behalf Payments to OPEB	\$	87,899	
Total Other Programs			87,899

Board of Education

Secretary to Board	\$	1,250	
Board and Committee Members Fees		13,880	
Social Security		937	
State Retirement		80	
Medical Insurance		114	
Unemployment Compensation		35	
Employer Medicare		219	
Audit Services		7,000	
Contracts with Government Agencies		4,088	
Contracts with Private Agencies		9,965	
Dues and Memberships		7,878	
Legal Services		91,907	
Other Contracted Services		383	
Other Supplies and Materials		171	
Liability Insurance		24,529	
Premiums on Corporate Surety Bonds		690	
Trustee's Commission		100,330	
Workers' Compensation Insurance		104,700	
Refund to Applicant for Criminal Investigation		3,204	
Other Charges		9,630	
Total Board of Education			380,990

Director of Schools

County Official/Administrative Officer	\$	81,157	
Career Ladder Program		1,000	
Social Security		5,163	
State Retirement		5,347	
Medical Insurance		5,656	
Unemployment Compensation		18	
Employer Medicare		1,208	

(Continued)

Exhibit K-9

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.)

Director of Schools (Cont.)

Communication	\$	46,736	
Dues and Memberships		2,596	
Travel		4,596	
Other Charges		2,028	
Total Director of Schools			\$ 155,505

Office of the Principal

Principals	\$	546,146	
Career Ladder Program		9,600	
Accountants/Bookkeepers		99,374	
Career Ladder Extended Contracts		7,509	
Assistant Principals		235,414	
Clerical Personnel		85,435	
Social Security		56,553	
State Retirement		60,555	
Medical Insurance		98,531	
Unemployment Compensation		472	
Employer Medicare		13,662	
Communication		4,560	
Dues and Memberships		3,635	
Administration Equipment		1,795	
Total Office of the Principal			1,223,241

Fiscal Services

Accountants/Bookkeepers	\$	104,978	
Clerical Personnel		30,374	
Social Security		8,360	
State Retirement		8,757	
Medical Insurance		21,678	
Unemployment Compensation		79	
Employer Medicare		1,955	
Data Processing Services		8,664	
Maintenance and Repair Services - Office Equipment		5,584	
Travel		388	
Other Contracted Services		651	
Office Supplies		10,219	
Other Charges		12	
Administration Equipment		459	
Total Fiscal Services			202,158

(Continued)

Exhibit K-9

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.)

Operation of Plant

Custodial Personnel	\$	334,437	
Other Salaries and Wages		14,546	
Social Security		21,198	
State Retirement		15,282	
Medical Insurance		382	
Unemployment Compensation		495	
Employer Medicare		4,958	
Contracts with Government Agencies		5,355	
Contracts with Private Agencies		30,639	
Maintenance and Repair Services - Equipment		2,081	
Pest Control		1,900	
Other Contracted Services		2,584	
Custodial Supplies		33,673	
Electricity		772,773	
Natural Gas		98,379	
Water and Sewer		56,958	
Other Supplies and Materials		9,373	
Boiler Insurance		908	
Building and Contents Insurance		40,359	
Other Charges		319	
Plant Operation Equipment		11,486	
Total Operation of Plant			\$ 1,458,085

Maintenance of Plant

Supervisor/Director	\$	57,786	
Maintenance Personnel		135,709	
Other Salaries and Wages		22,042	
Social Security		13,136	
State Retirement		13,488	
Medical Insurance		27,331	
Unemployment Compensation		133	
Employer Medicare		3,123	
Laundry Service		2,970	
Maintenance and Repair Services - Buildings		17,924	
Maintenance and Repair Services - Equipment		46,575	
Other Contracted Services		3,656	
Other Supplies and Materials		59,738	
Maintenance Equipment		2,519	
Total Maintenance of Plant			406,130

(Continued)

Exhibit K-9

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

Supervisor/Director	\$	38,645	
Mechanic(s)		84,168	
Bus Drivers		404,504	
Other Salaries and Wages		25,764	
Social Security		32,349	
State Retirement		32,473	
Medical Insurance		26,350	
Unemployment Compensation		661	
Employer Medicare		7,815	
Communication		1,787	
Contracts with Government Agencies		2,250	
Contracts with Private Agencies		7,782	
Contracts with Parents		1,576	
Laundry Service		2,417	
Maintenance and Repair Services - Equipment		1,319	
Maintenance and Repair Services - Vehicles		1,654	
Medical and Dental Services		1,695	
Tow-in Services		1,195	
Travel		1,278	
Diesel Fuel		116,244	
Equipment and Machinery Parts		377	
Garage Supplies		3,309	
Gasoline		20,965	
Lubricants		6,936	
Tires and Tubes		18,291	
Vehicle Parts		83,077	
Gravel and Chert		2,704	
Other Supplies and Materials		3,227	
Vehicle and Equipment Insurance		30,925	
Other Charges		198	
Administration Equipment		634	
Transportation Equipment		290,436	
Total Transportation			\$ 1,253,005

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$	1,000
Social Security		62
State Retirement		64

(Continued)

Exhibit K-9

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.)

Food Service (Cont.)

Unemployment Compensation	\$	2	
Employer Medicare		14	
Total Food Service		<u>16</u>	\$ 1,142

Community Services

Supervisor/Director	\$	32,288	
Social Security		1,971	
State Retirement		2,073	
Medical Insurance		5,217	
Unemployment Compensation		17	
Employer Medicare		461	
Travel		755	
Other Supplies and Materials		1,900	
Other Charges		454	
Total Community Services		<u>45,136</u>	45,136

Early Childhood Education

Supervisor/Director	\$	35,200	
Teachers		189,441	
Career Ladder Extended Contracts		500	
Educational Assistants		57,407	
Certified Substitute Teachers		356	
Non-certified Substitute Teachers		3,619	
Social Security		17,201	
State Retirement		17,468	
Medical Insurance		36,922	
Unemployment Compensation		186	
Employer Medicare		4,022	
Travel		2,664	
Instructional Supplies and Materials		47,909	
Other Supplies and Materials		5,566	
In Service/Staff Development		3,206	
Other Charges		393	
Other Equipment		57,796	
Total Early Childhood Education		<u>479,856</u>	479,856

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	28,559	
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(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Capital Outlay (Cont.)

Regular Capital Outlay (Cont.)

Site Development	\$ 72,114	
Other Capital Outlay	9,590	
Total Regular Capital Outlay		\$ 110,263

Other Debt Service

Education

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

Total General Purpose School Fund \$ 19,559,421

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 311,164	
Educational Assistants	83,167	
Other Salaries and Wages	4,200	
Certified Substitute Teachers	1,991	
Non-certified Substitute Teachers	7,151	
Social Security	23,746	
State Retirement	22,937	
Medical Insurance	65,331	
Unemployment Compensation	574	
Employer Medicare	5,557	
Other Contracted Services	20,920	
Instructional Supplies and Materials	121,927	
Regular Instruction Equipment	89,280	
Total Regular Instruction Program		\$ 757,945

Special Education Program

Teachers	\$ 319,644
Educational Assistants	312,876
Speech Pathologist	90,199
Other Salaries and Wages	11,819
Certified Substitute Teachers	698
Non-certified Substitute Teachers	6,500
Social Security	45,504
State Retirement	43,929
Medical Insurance	46,336

(Continued)

Exhibit K-9

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 (Cont.)

Unemployment Compensation	\$	1,964	
Employer Medicare		10,644	
Contracts with Private Agencies		76,524	
Other Contracted Services		1,779	
Instructional Supplies and Materials		60,517	
Other Supplies and Materials		29,831	
Special Education Equipment		23,308	
Total Special Education Program			\$ 1,082,072

Vocational Education Program

Instructional Supplies and Materials	\$	2,638	
Vocational Instruction Equipment		41,252	
Total Vocational Education Program			43,890

Adult Education Program

Teachers	\$	21,903	
Social Security		433	
State Retirement		248	
Unemployment Compensation		84	
Employer Medicare		317	
Instructional Supplies and Materials		503	
Regular Instruction Equipment		6,778	
Total Adult Education Program			30,266

Support Services

Other Student Support

Guidance Personnel	\$	7,000	
Bus Drivers		700	
Social Security		473	
State Retirement		495	
Unemployment Compensation		20	
Employer Medicare		110	
Travel		11,321	
In Service/Staff Development		589	
Other Charges		7,389	
Total Other Student Support			28,097

Regular Instruction Program

Supervisor/Director	\$	55,086	
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(Continued)

Exhibit K-9

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 (Cont.)

In-Service Training	\$	808	
Social Security		3,455	
State Retirement		3,600	
Medical Insurance		5,775	
Unemployment Compensation		31	
Employer Medicare		808	
Travel		4,078	
Other Supplies and Materials		565	
In Service/Staff Development		69,979	
Other Charges		450	
Other Equipment		377	
Total Regular Instruction Program			\$ 145,012

Special Education Program

Assessment Personnel	\$	23,852	
Clerical Personnel		19,714	
Social Security		2,036	
State Retirement		2,242	
Medical Insurance		15,161	
Unemployment Compensation		62	
Employer Medicare		597	
Maintenance and Repair Services - Equipment		1,599	
Travel		12,937	
Other Supplies and Materials		4,300	
In Service/Staff Development		13,413	
Total Special Education Program			95,913

Vocational Education Program

Other Equipment	\$	907	
Total Vocational Education Program			907

Adult Programs

Supervisor/Director	\$	37,404	
Other Salaries and Wages		19,290	
Social Security		3,490	
State Retirement		3,655	
Medical Insurance		5,692	
Unemployment Compensation		58	
Employer Medicare		816	

(Continued)

Exhibit K-9

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.)

Communication	\$	95	
Travel		294	
In Service/Staff Development		1,135	
Other Charges		80	
Total Adult Programs			\$ 72,009

Transportation

Bus Drivers	\$	21,287	
Social Security		1,307	
State Retirement		1,361	
Unemployment Compensation		62	
Employer Medicare		302	
Contracts with Parents		7,656	
Transportation Equipment		54,763	
Total Transportation			<u>86,738</u>

Total School Federal Projects Fund \$ 2,342,849

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,025	
Accountants/Bookkeepers		32,744	
Cafeteria Personnel		504,900	
Other Salaries and Wages		15,679	
Social Security		36,519	
State Retirement		35,870	
Medical Insurance		11,978	
Unemployment Compensation		270	
Employer Medicare		8,615	
Communication		1,958	
Legal Notices, Recording, and Court Costs		88	
Maintenance and Repair Services - Equipment		10,346	
Pest Control		3,240	
Printing, Stationery, and Forms		787	
Travel		2,282	
Other Contracted Services		19,275	
Data Processing Supplies		1,375	
Equipment and Machinery Parts		11,610	

(Continued)

Exhibit K-9

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.)

Food Supplies	\$	683,711	
Office Supplies		1,200	
Uniforms		831	
USDA - Commodities		104,653	
Other Supplies and Materials		78,488	
In Service/Staff Development		2,861	
Refund to Applicant for Criminal Investigation		348	
Food Service Equipment		79,407	
Total Food Service			\$ <u>1,697,060</u>

Total Central Cafeteria Fund \$ 1,697,060

Total Governmental Funds - Smith County School Department \$ 23,599,330

Exhibit K-10

Smith County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2010

	Major Enterprise Fund
	Solid Waste Disposal
<hr/>	
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Licenses and Permits</u>	
Other Permits	\$ 600
<u>Charges for Current Services</u>	
Tipping Fees	1,309,677
Total Operating Revenues	<u>\$ 1,310,277</u>
<u>Nonoperating Revenues</u>	
<u>Recurring Items</u>	
Sale of Materials and Supplies	\$ 248
Sale of Recycled Materials	51,381
Miscellaneous Refunds	3,990
<u>Nonrecurring Items</u>	
Grants	9,726
Total Nonoperating Revenue	<u>\$ 65,345</u>
Total Revenues	<u><u>\$ 1,375,622</u></u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Other Waste Collection</u>	
Other Contracted Services	\$ 14,168
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	40,540
Salary Supplements	400
Longevity Pay	1,302
Overtime Pay	1,498
Other Salaries and Wages	198,888
In-Service Training	1,500
Social Security	18,049
State Retirement	15,223
Medical Insurance	2,640
Communication	4,051
Engineering Services	29,786
Maintenance and Repair Services	60,066
Travel	98
Other Contracted Services	53,141
Gasoline	98,036
Office Supplies	236
Utilities	7,933

(Continued)

Exhibit K-10

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>	
Other Supplies and Materials	\$ 32,153
Building and Contents Insurance	1,950
Liability Insurance	450
Trustee's Commission	12,899
Vehicle and Equipment Insurance	5,200
Workers' Compensation Insurance	52,331
Depreciation	204,813
Other Equipment	192
Total Operating Expenses	<u>\$ 857,543</u>
<u>Nonoperating Expenses</u>	
Interest on Notes	\$ 24,559
Interest on Capital Leases	5,250
Interest on Other Loans	82,900
Total Nonoperating Expenses	<u>\$ 112,709</u>
Total Expenses	<u><u>\$ 970,252</u></u>

Exhibit K-11

Smith County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,108,289
<u>Cash Disbursements</u>	
Trustee's Commission	\$ 11,083
Remittance of Revenues Collected	1,097,206
Total Cash Disbursements	<u>\$ 1,108,289</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
Cash Balance, June 30, 2010	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

February 17, 2011

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, 2010, which collectively comprise Smith County's basic financial statements and have issued our report thereon dated February 17, 2011. Our report includes a reference to other auditors. Our report on the governmental activities financial statements was adverse due to not including the fair value of a derivative instrument held by the county on the government-wide financial statements at June 30, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.03, 10.04, and 10.09.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.01, 10.05(A), 10.06(A), 10.07, 10.08, 10.10, 10.11, 10.15, and 10.16

Compliance and Other Matters

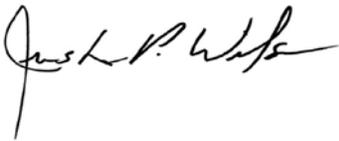
As part of obtaining reasonable assurance about whether Smith County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 10.02, 10.05(B,C), 10.06(B), 10.12, 10.13, and 10.14.

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 the responses.

This report is intended solely for the information and use of management, the county mayor, director of schools, road commissioner, Board of County Commissioners, 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 extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

February 17, 2011

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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Smith County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10.01 and 10.17. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

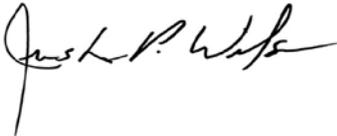
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Smith County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated February 17, 2011. Our

report on the governmental activities financial statements was adverse due to not including the fair value of a derivative instrument held by the county on the government-wide financial statements at June 30, 2010. 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 the responses.

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a long vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Smith County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	\$ 25,000
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	288,010
National School Lunch Program	10.555	N/A	747,398 (3)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	16,760
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	104,653 (3)
Total U.S. Department of Agriculture			\$ 1,181,821
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants - State's Program	14.228	GG-10-29406-00	\$ 6,062
U.S. Department of Justice:			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,320
Passed-through State Commission on Children and Youth			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	Z-08-234080-00	400
Passed-through State Administrative Office of the Courts:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Grants to States and Territories	16.803	N/A	5,021
Total U.S. Department of Justice			\$ 9,741
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-8000(20)	\$ 45,613
State and Community Highway Safety	20.600	N/A	13,276
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Z-09-214403-00	5,000
Total U.S. Department of Transportation			\$ 63,889
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
WIA Dislocated Workers	17.260	Z-08-211893-00	\$ 14,667
Adult Education - Basic Grants to States	84.002	Z-10-218547-00	65,706
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title 1 Grants to Local Educational Agencies	84.010	N/A	576,664
Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	N/A	165,278
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	749,675
Special Education - Preschool Grants	84.173	N/A	19,661
Special Education - Grants to States, Recovery Act	84.391	N/A	505,387
Special Education - Preschool Grants, Recovery Act	84.392	N/A	14,547
Career and Technical Education - Basic Grants to States	84.048	N/A	57,506
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	10,397
Twenty-first Century Community Learning Centers	84.287	N/A	84,606
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	6,362
Education Technology State Grants, Recovery Act	84.386	(2)	23,877

(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	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Improving Teacher Quality State Grants	84.367	N/A	\$ 147,996
Education for Homeless Children and Youth, Recovery Act	84.387	N/A	1,218
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	594,000
State Fiscal Stabilization Fund - Government Services Recovery Act	84.397	(4)	161,525
Total U.S. Department of Education			\$ 3,199,072
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grant	97.042	(2)	\$ 2,359
Homeland Security Grant Program	97.067	GG-08-24424-00	17,048
Total U.S. Department of Homeland Security			\$ 19,407
Total Expenditures of Federal Awards			\$ 4,479,992

State Grants		Contract Number	Expenditures
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 5,703
Aging Program - Upper Cumberland Development District	N/A	(2)	14,293
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	9,000
Tennessee Agricultural Enhancement Program - State Department of Agriculture	N/A	(2)	2,560
Health Department Programs - State Department of Health	N/A	(2)	8,918
Law Enforcement Training - State Department of Safety	N/A	(2)	14,400
Litter Program - State Department of Transportation	N/A	(2)	32,266
FastTrack Industrial Grant - State Department of Economic and Community Development	N/A	(2)	103,431
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	9,726
Pilot and Voluntary State Funded Classrooms Grant - State Department of Education	N/A	(2)	478,548
Adult Education - State Department of Labor and Workforce	N/A	(2)	21,902
Total State Grants			\$ 700,747

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 \$852,051.
- (4) Coordinated School Health (\$100,000), Internet Connectivity (\$9,316), Family Resource Center (\$33,300), Safe Schools (\$9,688), Statewide Student Management Systems (\$8,080), Career Ladder - Extended Contract (\$1,141).

Smith County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	208	The Courthouse and Jail Maintenance Fund required material audit adjustments for proper financial statement presentation
09.02	208	The Public Library Fund was not budgeted
09.03(A)	209	Capital asset records required material audit adjustments for proper financial statement presentation
09.04	210	Competitive bids were not solicited for the purchase of fuel
09.05	210	The office had not adopted a formal travel policy

OFFICE OF ROAD COMMISSIONER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.06	211	Tools were stolen from the Highway Department

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.08	212	Competitive bids were not solicited for the purchase of insurance

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.09	213	The execution docket trial balance for Circuit Court did not reconcile with general ledger accounts

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
09.11	212	Internal controls over evidence and seized property were not adequate

OTHER FINDING

Finding Number	Page Number	Subject
09.13	215	Duties were not segregated adequately in the Ambulance Service Department and the Offices of County Mayor, Road Commissioner, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

SMITH COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the governmental activities is adverse. Our report on the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Smith County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Smith County.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Title I Part A Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States, Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Fund – Education State Grants, Recovery Act and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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.

OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS

FINDING 10.01 **SMITH COUNTY AND THE SMITH COUNTY SCHOOL DEPARTMENT DID NOT ACCOUNT FOR AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) GRANTS SEPARATELY FROM OTHER COUNTY FUNDS**
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

Smith County and the Smith County School Department comingled ARRA revenues and expenditures with other local, state, and federal funds. The U.S. Office of Management and Budget (OMB) Compliance Supplement requires grantees to agree to maintain records that identify adequately the source (i.e., revenues) and application (i.e., expenditures) of ARRA awards. Tennessee Office of Recovery Act Management (TRAM) Directive No. 2 requires county governments to account for ARRA grant awards and expenditures separately from other revenues and expenditures in the county's financial accounting system. This comingling of funds violates OMB's compliance requirements (and the grant agreement) and increases the risks of preparing inaccurate reports required by ARRA. When ARRA grant requirements are not followed, OMB can terminate the grants; suspend or debar the county from receiving grants; or, in serious cases, apply civil or criminal penalties. County officials stated they were unaware of the requirements. However, numerous informational meetings were held across the state, and various educational materials were distributed to local governments concerning ARRA requirements. We presented audit adjustments to management that they approved and posted to properly present ARRA revenues and expenditures in the financial statements in this report.

RECOMMENDATION

Smith County and the School Department should separate the source (i.e., revenues) and application (i.e., expenditures) of ARRA grant funds on the county's accounting records.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Smith County received two ARRA funded grants in the 2009-10 budget year and did not separate the revenues and expenditures into the correct codes that were provided to us. Smith County will make sure in the future that they will be kept in separate codes. Also, Smith County currently has spreadsheets, which show the breakdown in ARRA funds and local funds on file for anyone to review.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Smith County School System will not comingle ARRA revenues and expenditures with local, state, and federal funds. In compliance with OMB Circular A-133, the Board of Education will cost center state stabilization funds.

OFFICE OF COUNTY MAYOR

FINDING 10.02 **SMITH COUNTY DID NOT DETERMINE AND REPORT THE FAIR VALUE OF A DERIVATIVE INSTRUMENT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Governmental Auditing Standards)

Smith County did not determine and report the fair value of its derivative held by the county at June 30, 2010, as required by Governmental Accounting Standards Board (GASB) Statement No. 53 Accounting and Financial Reporting for Derivative Instruments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. In May 2008, Smith County entered into a loan agreement with the Montgomery County Public Building Authority for \$10,000,000 to construct a jail facility. As a part of this loan agreement, the county also entered into a type of derivative instrument called an interest rate collar as a hedge against the possibility of rising interest rates. This interest rate collar has a floor of 2.9 percent and a ceiling of five percent.

GASB Statement No. 53 states that local governments are responsible for determining if an instrument is an effective or ineffective derivative, for calculating the fair value of derivative instruments, and it offers guidance about the acceptable methods of calculation. These determinations and calculations would usually be made by the local government's financial advisor or derivative broker. In most cases, local governments require the assistance of an independent third-party derivative specialist to review the determinations and calculations and report findings to the government and its auditors. GASB Statement No. 53 further requires the fair value of all derivative instruments to be reported on the government-wide Statement of Net Assets and/or Statement of Activities and certain disclosures to be made in the notes to the financial statements. At June 30, 2010, Smith County had not determined the fair value of its derivative instrument, which results in governmental activities financial statements that are not fairly presented in compliance with generally accepted accounting principles.

RECOMMENDATION

County officials should determine that each derivative instrument meets the effectiveness test and is fairly valued and reported using an approved calculation method. Furthermore, the county should employ a third-party derivative specialist to evaluate and verify these determinations and calculations.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Smith County has spoken to the Tennessee Municipal Bond League and requested the information to determine if each derivative instrument meets the effectiveness test and is

fairly valued and reported using an approved calculation method. If it does not meet the needs required by County Audit, Smith County will employ a third-party agency from a list that has been provided to get this information.

AUDITOR'S COMMENT

The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles for state and local governments not County Audit. Provisions of GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010. GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. See footnote V.B. for details of GASB Statement No. 53.

FINDING 10.03 **MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION OF SEVERAL FUNDS AND CAPITAL ASSET RECORDS**
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2010, various general ledger account balances of several funds and the capital asset records maintained by the office were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Smith County to have adequate internal controls over the maintenance of its accounting records. Therefore, the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Smith County has in the past tried to make the adjustments as we have found errors that need to be corrected. We often have end of the year adjustments after closing out that are brought to our attention from audit. In the future, Smith County will correct adjustments prior to year end.

FINDING 10.04 **FUND DEFICITS WERE NOTED IN SEVERAL FUNDS ADMINISTERED BY THE OFFICE**
(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination revealed the following fund deficits at year-end:

- A. The Courthouse and Jail Maintenance Fund had a deficit in unreserved fund balance of \$969,337 at June 30, 2010. This deficit resulted from the unperformed portions of construction contracts of \$940,998 being reserved as encumbrances and \$28,339 from the failure of management to maintain expenditures within available resources.

- B. The General Capital Projects Fund had a deficit in unreserved fund balance of \$358,539 at June 30, 2010. This deficit resulted from the unperformed portions of construction contracts of \$196,889 being reserved as encumbrances and from management’s failure to recognize contracts payable totaling \$171,112 at June 30, 2010. An audit adjustment was accepted by management to properly reflect contracts payable in the financial statements of this report.

- C. The Solid Waste Disposal Fund had a deficit of \$2,237,705 in unrestricted net assets at June 30, 2010. This deficit resulted from the recognition of a liability of \$2,704,616 in the financial statements for costs associated with closing the county’s landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

County officials should develop and implement a plan that would fund the above-noted deficits.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

- A., B. Smith County did not set up reserves for the full contract amount, even though we were only paying part of it each year on the Smith County Jail and Courts facility and the Smith County Ambulance buildings. Smith County should have set up a reserve for each one of these projects. These two projects are completed now and should not be a continuing problem. When Smith County has other building projects that will last more than one budget year, Smith County will set up a reserve and hit against the reserve as we are progressing with the project.

- C. The Solid Waste Disposal Fund is a proprietary fund that has a liability for the closure and postclosure costs for the life of the landfill. Smith County sets aside money each year and does some of the closure and postclosure work to cut down on cost. The closure and postclosure costs will be spread over several years as each cell meets its full capacity.

FINDING 10.05

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(A. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. and C. – Noncompliance Under Government Auditing Standards)

Our examination revealed the following budget deficiencies:

- A. The budget and subsequent amendments submitted to and approved by the County Commission for the Special Purpose Fund resulted in appropriations exceeding estimated available funding. Sound budgetary principles dictate that appropriations be held within estimated available funding.
- B. The Public Library Fund was not budgeted. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.
- C. Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the following funds:

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
Judicial Commissioners	\$ 79
County Coroner/Medical Examiner	1,994
Courthouse and Jail Maintenance:	
Other Operations - Miscellaneous	256
Drug Control:	
Drug Enforcement	127
General Debt Service:	
Other Debt Service - General Government	228
Education Debt Service:	
Other Debt Service - Education	1,107

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.” This deficiency exists because management failed to exercise oversight to hold spending within limits authorized by the County Commission. This deficiency resulted in unauthorized expenditures.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations. All applicable funds operated by Smith County should be budgeted as required by state statute. County officials should ensure that expenditures are held within appropriations approved by the County Commission.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

- A. This finding concerns the Smith County Fair Fund, which Smith County did set up a budget for in 2009-10 but did not have a beginning fund balance. Smith County has since turned the Fair over to the Smith County Fair Association and this will not be a problem in the future.
- B. The Smith County Library 2009-10 budget was broken down into different expenditures. When the Smith County Library submitted a pay request, which was broken down into different expenditures, Smith County issued a check to the Smith County Library. In the 2010-11 budget year, the Smith County Library was incorporated into the county's General Fund budget. Smith County receipts the revenues and pays the bills for the Smith County Library. This finding should be taken care of with this correction.
- C. Smith County had some bills that came in after the year was closed. Smith County will have to be more accurate on estimated expenditures in the future.

FINDING 10.06 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(A. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. – Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies, which are a result of management's failure to correct findings noted in the prior-year audit report:

- A. Purchase orders were not issued for some required purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. The failure to issue purchase orders increases the risk of unauthorized purchases. In some instances, purchase orders were issued after purchases were made. The practice of issuing purchase orders after the purchase is made defeats the purpose of issuing a purchase order and makes it an approval of payment rather than an approval of the purchase.
- B. Competitive bids were not solicited for the purchase of fuel. Section 5-14-204, Tennessee Code Annotated, provides that fuel and fuel products may be purchased in the open market without newspaper notice, but shall whenever

possible be based on a least three competitive bids. This deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report. The failure to solicit competitive bids could result in the department paying more than the most competitive price.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made. Competitive bids should be solicited for the purchase of fuel.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

- A. Smith County issues many purchase orders every month; however, sometimes employees make purchases without purchase orders and then we receive a bill. Once the bill is received, we call the employee and/or their supervisor. If they acknowledge the purchase of said merchandise, we issue the purchase order. We also inform the employee and supervisor that purchase orders have to be issued prior to purchases. Ultimately, Smith County is responsible for every legitimate purchase of materials and/or merchandise.

- B. Smith County employees have a fuel key and code at Mixon Nollner Oil. Smith County is given a competitive price without taxes for the fuel received at Mixon Nollner Oil. The only way to bid fuel would be to have our own tanks but this brings on a lot of environmental issues that Smith County would not want to be responsible for.

AUDITOR'S COMMENT TO B.

Section 5-14-204, Tennessee Code Annotated, requires competitive bid whenever possible. The only way to know if other vendors provide fuel key and code access is to publicly solicit competitive bids.

**FINDING 10.07 THE OFFICE HAD NOT ADOPTED A FORMAL TRAVEL POLICY
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

The Smith County Commission had not adopted formal policies and procedures governing travel reimbursements for county employees. During the year, the county paid employees and officials actual costs for meals and lodging while conducting county business. Without a formal travel policy, employees have no limitations placed on their lodging and meal expenses. A travel policy was included in personnel policies approved by the County Commission on November 8, 2010.

**FINDING 10.08 THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS GENERATED BY THE SOLID WASTE DISPOSAL FUND
(Internal Control – Significant Deficiency Under Government Auditing Standards)**

The software application used by the office generated a daily log that displayed changes made by users. This log provides the only audit trail of these changes and should be reviewed daily for inappropriate activity. Management was aware of the importance of this log; however, it was not reviewed.

RECOMMENDATION

Management should review the audit log on a routine basis. Documentation of this review process should be maintained, and any unusual transactions should be investigated.

OFFICE OF ROAD COMMISSIONER

**FINDING 10.09 THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION
(Internal Control – Material Weakness Under Government Auditing Standards)**

At June 30, 2010, certain general ledger account balances in the Highway/Public Works Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Highway Department to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The Highway Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

FINDING 10.10 A TRUCK AND TOOLS VALUED AT \$10,930 WERE STOLEN FROM THE HIGHWAY DEPARTMENT
(Internal Control – Significant Deficiency Under Government Auditing Standards)

On March 15, 2010, Highway Department employees discovered that a 2002 Dodge truck valued at \$7,800 and miscellaneous items totaling \$3,130 were stolen from department property. Locks had been cut on the gate to the property and on toolboxes on several trucks parked near the shop building. Accounting standards provide that internal controls be designed to safeguard assets. The Highway Department did not have written procedures directing employees how to secure the vehicles left overnight; however, in November 2010, the department implemented written procedures. The City of Gordonsville Police Department is investigating the theft. The department's insurance carrier paid the department \$10,430, which is less a \$500 deductible, in two payments received in April and May 2010. A similar theft was reported in the prior-year audit report where tools valued at \$4,084.50 were stolen from Highway Department vehicles parked near the shop building.

RECOMMENDATION

Management should continually review procedures for the storage of vehicles and tools, periodically perform risk assessments to determine areas susceptible to theft, and implement procedures to mitigate those risks.

FINDING 10.11 APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The budget and subsequent amendments submitted to and approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding. Sound budgetary principles dictate that appropriations be held within estimated available funding.

RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.12 **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF INSURANCE
(Noncompliance Under Government Auditing Standards)**

Competitive bids were not solicited for the purchases of liability insurance (\$24,529), vehicle and equipment insurance (\$30,925), and buildings and contents insurance (\$40,359). Section 5-4-204, Tennessee Code Annotated, requires all purchases exceeding \$10,000 to be based on competitive bids solicited through public advertisement. This deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report. The failure to solicit competitive bids could result in the county paying more than the competitive price.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE - DIRECTOR OF SCHOOLS

The Smith County Board of Education will solicit competitive bids for liability insurance.

AUDITOR'S COMMENT

Competitive bids should be solicited for not only liability insurance, but vehicle, equipment, and buildings and contents insurance as well.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 10.13 **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION
(Noncompliance Under Government Auditing Standards)**

In some instances, the Circuit and General Sessions Courts clerk did not deposit funds within three days of collection. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit public funds to the office bank account within three days of collection. The delay in depositing funds increases the risks of fraud and misappropriation.

RECOMMENDATION

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

FINDING 10.14 THE EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS
(Noncompliance Under Government Auditing Standards)

At June 30, 2010, the Circuit and General Sessions Courts clerk prepared execution docket trial balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances failed to reconcile with general ledger accounts in Circuit and General Sessions Courts by \$77,996 and \$3,556, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the courts for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office. Also, this deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The clerk should reconcile the trial balance of execution docket cause balances with general ledger accounts. To comply with state statutes, the clerk should report and pay to the state Treasurer's Office any unclaimed funds held for more than one year.

OFFICE OF SHERIFF

FINDING 10.15 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 two locked storage rooms. Two log books were present; however, the log books reflected only a few entries. Therefore, we were unable to determine if the office properly accounted for all the evidence and seized 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.

OTHER FINDING AND RECOMMENDATION

FINDING 10.16 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE AMBULANCE SERVICE DEPARTMENT AND THE OFFICES OF COUNTY MAYOR, ROAD COMMISSIONER, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Ambulance Service Department and the Offices of County Mayor, Road Commissioner, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. 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. Also, this deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Smith County will ask the computer program company if they can include a receipt report in the program so the County Mayor's Office can review the computer generated receipt report and match the receipts and money. Currently, the Ambulance Service adds the money and takes it, along with an excel spreadsheet, to the Mayor's Office. The Mayor's Office then checks the money to make sure it matches the excel report before taking the money and report to the County Trustee's Office who in turn checks the money to make sure it matches the excel report.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Due to limited resources and personnel, we are not able to properly segregate duties among our bookkeepers.

BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Smith County.

ITEM 1. **SMITH COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

Smith County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

ITEM 2. **SMITH COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Smith County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

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

Federal/Pass-through Agencies	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Justice: Passed-through State Administrative Office of the Courts: Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Grants to States and Territories	10.17	16.803	<u>Circular A-133, Section 500 (c)(3)</u>	Significant Deficiency in Internal Control - See Finding 10.01 - ARRA grant funds were not accounted for separately from other county funds	\$ 0
U.S. Department of Education: Passed-through State Department of Education: State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act		84.397	"	"	0

**SMITH COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010**

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

County Mayor – Corrective Action Plan for Current-Year's Findings

FINDINGS 10.01 and 10.17

Contact person: Michael Nesbitt

Corrective action planned: In the future, Smith County will make sure that ARRA funds are kept in separate account codes. Also, the county now maintains spreadsheets, which show the breakdown in ARRA funds and local funds on file for anyone to review.

Anticipated completion date: 2010-11

Director of Schools – Corrective Action Plan for Current-Year's Findings

FINDINGS 10.01 and 10.17

Contact person: Roger Lewis

Corrective action planned: In the future, state stabilization funds will be separated into cost centers in the accounting records to keep them separate from other county funds.

Anticipated completion date: 2010-11