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# ANNUAL FINANCIAL REPORT SMITH COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



**ANNUAL FINANCIAL REPORT  
SMITH COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2011**

***COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON***

***DIVISION OF COUNTY AUDIT  
JAMES R. ARNETTE  
Director***

***CARL LOWE, CGFM  
Audit Manager***

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

***TIM BRASHEARS, CGFM  
RODNEY MALIN, CGFM  
KELLEY J. MCNEAL, CPA, CGFM  
State Auditors***

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

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***Audit Highlights***  
Annual Financial Report  
Smith County, Tennessee  
For the Year Ended June 30, 2011

***Scope***

We have audited the basic financial statements of Smith County as of and for the year ended June 30, 2011.

***Results***

Our report on Smith County's governmental activities financial statements expresses an adverse opinion due to not including the fair value of a derivative instrument held by the county on the government-wide financial statements at June 30, 2011. Our report on the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in 15 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 Practice***

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

**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.
- ◆ The General and Solid Waste Disposal funds and the capital asset records required material audit adjustments for proper financial statement presentation.
- ◆ The Solid Waste Disposal Fund had a deficit in unrestricted net assets.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ Smith County did not account for American Recovery and Reinvestment Act funds separately from other county funds.

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**OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ The office had deficiencies in budget operations.
-

## **OFFICE OF COUNTY CLERK**

- ◆ The office did not review its software audit logs.
- 

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

- ◆ A cash shortage of \$75,012.61 existed in General Sessions Court and \$995 in Circuit Court on September 27, 2011.
  - ◆ Execution docket trial balances did not reconcile with general ledger accounts.
  - ◆ Unclaimed property was not reported and paid to the state.
  - ◆ The office did not deposit some funds within three days of collection.
  - ◆ The clerk did not post short-term investment account activity to the accounting records.
- 

## **OFFICES OF TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

- ◆ Multiple employees operated from the same cash drawer.
- 

## **OFFICES OF COUNTY MAYOR, ROAD COMMISSIONER, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

- ◆ Duties were not segregated adequately.
- 

## **SMITH COUNTY**

- ◆ Smith County has a material recurring audit finding.
- 

## **BEST PRACTICE**

Smith County does not have a central system of accounting, budgeting, and purchasing. The Division of County Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Smith County.

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# INTRODUCTORY SECTION

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# Smith County Officials

## June 30, 2011

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### **Officials**

Michael Nesbitt, County Mayor  
Steve Coble, Road Commissioner  
Roger Lewis, Director of Schools  
Lee Ann Williams, Trustee  
Terry Collins, Assessor of Property  
Clifa Norris, County Clerk  
Myra Hardcastle, Circuit and General Sessions Courts Clerk  
Thomas Dillehay, Clerk and Master  
Jerri Lin Vaden, Register  
Steve Hopper, Sheriff

### **Board of County Commissioners**

Michael Nesbitt, County Mayor, Chairman  
Tommy Bane  
Billy Bass  
Carolyn Boles  
Richard Brimm  
Ronnie Bussell  
Shawn Cook  
Ronald Cowan  
Daniel Cripps  
Linda Dickens  
Phillip Enoch  
Frank Gibbs  
David Gross

Billy Halliburton  
Sabra Hodge  
Rob Hord  
Barbara Kannapel  
Charles Kent  
Joseph Nixon  
Linda Nixon  
James Winfree  
Jeffery Winfree  
Billy Woodard  
Frank Woodard  
Michael Woodard

### **Board of Education**

Tommy Manning, Chairman  
William Barrick  
Michael Collins  
Richard Fulton  
Sonja Hammond  
Tim Maynard  
Karen Shoulders  
Joe Taylor

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

January 31, 2012

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, 2011, 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 Smith County Emergency Communications District, which represent 2.1 percent and 1.8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Smith County Emergency Communications District, is based on the report 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 report 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, 2011, as required by Governmental Accounting Standards Board Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The effects on the financial statements are not reasonably determinable.

In our opinion, 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, 2011, and the changes in financial position for the year then ended.

Additionally, in our opinion, based on our audit and the report 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, 2011, 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 January 31, 2012, 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

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 72 through 81 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 financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance 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 prominent vertical stroke on the left side.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Smith County, Tennessee  
Statement of Net Assets  
June 30, 2011

	Primary Government		Total	Component Units		
	Governmental Activities	Business-type Activities		Smith County School Department	Smith County	
					Emergency Communications District	
<u>ASSETS</u>						
Cash	\$ 440	\$ 0	440	\$ 0	\$ 0	352,352
Equity in Pooled Cash and Investments	3,800,795	727,719	4,528,514	4,777,411		0
Accounts Receivable	1,499,036	130,247	1,629,283	1,516		8,371
Allowance for Uncollectibles	(553,301)	(272)	(553,573)	0		0
Due from Other Governments	637,274	2,700	639,974	839,611		7,682
Due from Other Funds	1,211	1,916	3,127			
Prepaid Items	0	0	0	0		1,250
Property Taxes Receivable	3,948,189	0	3,948,189	3,071,282		0
Allowance for Uncollectible Property Taxes	(198,110)	0	(198,110)	(159,146)		0
Notes Receivable	60,000	0	60,000	0		0
Deferred Charges - Debt Issuance Costs	7,650	0	7,650	0		0
Capital Assets:						
Assets Not Depreciated:						
Land	1,039,935	2,052,484	3,092,419	1,226,738		30,000
Intangible Assets - Indefinite Life	1,009,865	0	1,009,865	0		0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	15,327,181	54,989	15,382,170	29,486,097		138,868
Infrastructure	13,831,110	0	13,831,110	102,931		0
Other Capital Assets	2,572,069	522,929	3,094,998	1,413,739		340,322
Landfill Facilities and Development	0	2,571,333	2,571,333	0		0
Total Assets	\$ 42,983,344	\$ 6,064,045	\$ 49,047,389	\$ 40,760,179	\$ 878,845	
<u>LIABILITIES</u>						
Accounts Payable	\$ 182,519	\$ 0	182,519	\$ 61,002	\$ 19,015	
Accrued Payroll	0	0	0	6,894		0
Payroll Deductions Payable	6,472	0	6,472	534,808		0
Accrued Interest Payable	361,285	0	361,285	0		0
Contracts Payable	0	240,850	240,850	0		0
Due to Other Funds	1,916	1,211	3,127			
Deferred Revenue - Current Property Taxes	3,606,414	0	3,606,414	2,792,515		0
Noncurrent Liabilities:						
Due Within One Year	2,331,666	247,638	2,579,304	28,194		0
Due in More Than One Year	27,187,234	5,863,051	33,050,285	338,117		0
Total Liabilities	\$ 33,677,506	\$ 6,352,750	\$ 40,030,256	\$ 3,761,530	\$ 19,015	

(Continued)



Exhibit B

Smith County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					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	\$ 1,145,675	\$ 125,943	\$ 313,664	\$ 0	\$ (706,068)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	510,301	451,910	0	0	(58,391)	0	0	0	0	0
Administration of Justice	525,482	395,855	9,000	0	(120,627)	0	0	0	0	0
Public Safety	3,553,939	219,738	681,044	0	(2,653,157)	0	0	0	0	0
Public Health and Welfare	1,449,583	1,524,365	3,827	292,141	370,750	0	0	370,750	0	0
Social, Cultural, and Recreational Services	494,636	138,082	63,621	443,488	150,555	0	0	150,555	0	0
Agriculture and Natural Resources	200,425	0	40,789	59,975	(99,661)	0	0	(99,661)	0	0
Other Operations	851,546	0	2,977	0	(848,569)	0	0	(848,569)	0	0
Highways/Public Works	2,436,149	18,480	1,491,862	671,306	(254,501)	0	0	(254,501)	0	0
Interest on Long-term Debt	1,204,125	0	0	0	(1,204,125)	0	0	(1,204,125)	0	0
Other Debt Service	81,544	0	0	0	(81,544)	0	0	(81,544)	0	0
Total Governmental Activities	\$ 12,453,405	\$ 2,874,373	\$ 2,606,784	\$ 1,466,910	\$ (5,505,338)	\$ 0	\$ 0	\$ (5,505,338)	\$ 0	\$ 0
Business-type Activities:										
Solid Waste Disposal	\$ 1,061,436	\$ 1,127,696	\$ 11,215	\$ 0	\$ 0	\$ 77,475	\$ 77,475	\$ 77,475	\$ 0	\$ 0
Total Business-type Activities	\$ 1,061,436	\$ 1,127,696	\$ 11,215	\$ 0	\$ 0	\$ 77,475	\$ 77,475	\$ 77,475	\$ 0	\$ 0
Total Primary Government	\$ 13,514,841	\$ 4,002,069	\$ 2,617,999	\$ 1,466,910	\$ (5,505,338)	\$ 77,475	\$ (5,427,863)	\$ 0	\$ 0	\$ 0
Component Units:										
School Department	\$ 24,929,574	\$ 585,710	\$ 3,315,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ (21,028,588)	\$ 0	\$ 0
Emergency Communications District	311,592	250,580	0	0	0	0	0	0	0	(61,012)
Total Component Units	\$ 25,241,166	\$ 836,290	\$ 3,315,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ (21,028,588)	\$ 0	\$ (61,012)

(Continued)

Exhibit B

Smith County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities			Smith County School Department	Smith County Emergency Communications District	
					Governmental Activities	Business-type Activities	Total			
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes					\$ 2,633,669	\$ 0	\$ 2,633,669	\$ 2,863,938	\$ 0	0
Property Taxes Levied for Debt Service					805,913	0	805,913	0	0	0
Local Option Sales Taxes					1,197,599	0	1,197,599	1,305,727	0	0
Wheel Tax					1,095,066	0	1,095,066	0	0	0
Business Tax					123,358	0	123,358	0	0	0
Litigation Tax					68,202	0	68,202	0	0	0
Mineral Severance Tax					62,743	0	62,743	0	0	0
Wholesale Beer Tax					52,775	0	52,775	0	0	0
Other Local Taxes					43,803	0	43,803	1,039	0	0
Grants and Contributions Not Restricted to Specific Purposes					886,739	0	886,739	17,105,530	182,690	0
Interest Income					160,846	0	160,846	6,697	1,682	0
Miscellaneous					151,767	0	151,767	57,085	33,473	0
Sale of Equipment					2,060	0	2,060	0	0	0
Sale of Materials and Supplies					0	34,599	34,599	0	0	0
Total General Revenues					\$ 7,284,540	\$ 34,599	\$ 7,319,139	\$ 21,340,016	\$ 217,845	0
Insurance Recovery					\$ 0	\$ 0	\$ 0	\$ 500	\$ 0	0
Change in Net Assets					\$ 1,779,202	\$ 112,074	\$ 1,891,276	\$ 311,928	\$ 156,883	0
Prior-period Adjustment					0	(79,343)	(79,343)	0	0	0
Net Assets (Deficit), July 1, 2010					7,526,636	(321,436)	7,205,200	36,686,721	702,997	0
Net Assets (Deficit), June 30, 2011					\$ 9,305,838	\$ (288,705)	\$ 9,017,133	\$ 36,998,649	\$ 859,830	0

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, 2011

	Major Funds										Nonmajor Funds		Total Governmental Funds
	Courthouse and Jail Maintenance		Ambulance Service		Highway / Public Works		General Debt Service		Education Debt Service		Other Governmental Funds		
	General												
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 440	\$ 440
Equity in Pooled Cash and Investments	703,961	317,874	30,028	481,763	471,331	1,652,032	143,806	3,800,795				1,499,036	3,800,795
Accounts Receivable	14,740	0	1,484,176	0	0	0	120	1,499,036				0	1,499,036
Allowance for Uncollectibles	0	0	(553,301)	0	0	0	0	(553,301)				0	(553,301)
Due from Other Governments	169,709	105,067	0	280,073	0	82,425	0	637,274				0	637,274
Due from Other Funds	161,064	2,432	0	0	25,003	0	0	188,499				0	188,499
Property Taxes Receivable	2,898,706	0	0	185,203	463,007	401,273	0	3,948,189				0	3,948,189
Allowance for Uncollectible Property Taxes	(143,728)	0	0	(9,597)	(23,992)	(20,793)	0	(198,110)				0	(198,110)
Notes Receivable - Current	0	0	0	0	10,000	0	0	10,000				0	10,000
Notes Receivable - Long-term	0	0	0	0	50,000	0	0	50,000				0	50,000
Total Assets	\$ 3,804,452	\$ 425,373	\$ 960,903	\$ 937,442	\$ 995,349	\$ 2,114,937	\$ 144,366	\$ 9,382,822				\$ 440	\$ 9,382,822

ASSETS

LIABILITIES AND FUND BALANCES

Liabilities	\$ 182,103	\$ 0	\$ 416	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 182,519
Accounts Payable	4,522	1,063	453	0	0	0	434	6,472				0	6,472
Payroll Deductions Payable	24,992	157,000	3,504	0	1,232	0	2,476	189,204				0	189,204
Due to Other Funds	2,652,188	0	0	168,393	420,982	364,851	0	3,606,414				0	3,606,414
Deferred Revenue - Current Property Taxes	96,544	0	0	6,775	16,937	14,679	0	134,935				0	134,935
Deferred Revenue - Delinquent Property Taxes	58,667	0	835,404	127,828	0	43,405	0	1,065,304				0	1,065,304
Other Deferred Revenues	\$ 3,019,016	\$ 158,063	\$ 839,777	\$ 302,996	\$ 439,151	\$ 422,935	\$ 2,910	\$ 5,184,848				\$ 2,910	\$ 5,184,848
Total Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,284				\$ 40,284	\$ 40,284
Fund Balances	9,817	0	0	0	0	0	0	9,817				0	9,817
Nonspendable:	27,805	0	0	0	0	0	0	27,805				0	27,805
Endowments	6,074	0	0	0	0	0	0	6,074				0	6,074
Restricted:													
Restricted for General Government													
Restricted for Administration of Justice													
Restricted for Public Safety													

(Continued)

Exhibit C-1

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

	Major Funds										Nonmajor Funds		Total Governmental Funds
	Courthouse and Jail Maintenance		Ambulance Service	Highway / Public Works	General Debt Service		Education Debt Service		Other Governmental Funds		Total Governmental Funds		
	General	Maintenance			General Debt Service	Education Debt Service			Other Governmental Funds				
<b>Fund Balances (Cont.)</b>													
Restricted (Cont.):													
Restricted for Public Health and Welfare	\$ 58,515	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 58,515
Restricted for Social, Cultural, and Recreational Services	11,294	0	0	0	0	0	0	0	0	0	0	0	11,294
Restricted for Highways/Public Works	0	0	0	634,446	0	0	0	0	0	0	0	0	634,446
Restricted for Debt Service	0	0	0	0	0	556,198	1,692,002	0	0	0	0	0	2,248,200
Committed:													
Committed for General Government	0	155,228	0	0	0	0	0	0	0	0	0	0	155,228
Committed for Administration of Justice	10,606	0	0	0	0	0	0	0	0	0	0	0	10,606
Committed for Public Health and Welfare	0	0	0	113,604	0	0	0	0	0	6,558	0	0	120,162
Committed for Social, Cultural, and Recreational Services	0	0	0	0	0	0	0	0	0	170	0	0	170
Committed for Capital Outlay	0	0	0	0	0	0	0	0	0	28,130	0	0	28,130
Committed for Other Purposes	0	112,082	0	0	0	0	0	0	0	0	0	0	112,082
Assigned:													
Assigned for General Government	5,316	0	0	0	0	0	0	0	0	0	0	0	5,316
Assigned for Finance	41	0	0	0	0	0	0	0	0	0	0	0	41
Assigned for Administration of Justice	806	0	0	0	0	0	0	0	0	0	0	0	806
Assigned for Public Safety	53,137	0	0	0	0	0	0	0	0	0	0	0	53,137
Assigned for Public Health and Welfare	2,058	0	0	7,522	0	0	0	0	0	2,489	0	0	12,069
Assigned for Social, Cultural, and Recreational Services	1,475	0	0	0	0	0	0	0	0	0	0	0	1,475
Assigned for Agriculture and Natural Resources	265	0	0	0	0	0	0	0	0	0	0	0	265
Assigned for Other Operations	496	0	0	0	0	0	0	0	0	0	0	0	496
Unassigned	597,731	0	0	0	0	0	0	0	0	0	0	0	597,731
<b>Total Fund Balances</b>	\$ 785,436	\$ 267,310	\$ 121,126	\$ 634,446	\$ 556,198	\$ 1,692,002	\$ 141,456	\$ 141,456	\$ 141,456	\$ 141,456	\$ 141,456	\$ 141,456	\$ 4,197,974
<b>Total Liabilities and Fund Balances</b>	\$ 3,804,452	\$ 425,373	\$ 960,903	\$ 937,442	\$ 995,349	\$ 2,114,937	\$ 144,366	\$ 144,366	\$ 144,366	\$ 144,366	\$ 144,366	\$ 144,366	\$ 9,382,822

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, 2011

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)		\$ 4,197,974
(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: intangible assets - indefinite life	1,009,865	
Add: buildings and improvements net of accumulated depreciation	15,327,181	
Add: infrastructure net of accumulated depreciation	13,831,110	
Add: other capital assets net of accumulated depreciation	<u>2,572,069</u>	33,780,160
(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	\$ (15,428,077)	
Less: notes payable	(2,055,086)	
Less: other loans payable	(11,800,470)	
Less: compensated absences payable	(152,732)	
Less: other postemployment benefits liability	(82,535)	
Less: accrued interest on bonds	(337,206)	
Less: accrued interest on notes	(24,079)	
Add: deferred charges - debt issuance costs	<u>7,650</u>	(29,872,535)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>1,200,239</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 9,305,838</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, 2011

	Major Funds						Nonmajor Funds		Total Governmental Funds
	Courthouse and Jail Maintenance		Ambulance Service	Highway / Public Works	General Debt Service	Education Debt Service	Other Governmental Funds		
	General	Maintenance	Service	Works	Service	Service	Funds	Funds	
<b>Revenues</b>									
Local Taxes	\$ 3,643,058	\$ 308,597	\$ 0	\$ 253,402	\$ 475,898	\$ 1,747,569	\$ 0	\$ 0	\$ 6,428,524
Licenses and Permits	56,539	0	0	0	0	0	0	0	56,539
Fines, Forfeitures, and Penalties	53,909	3,631	0	0	0	0	0	19,711	77,251
Charges for Current Services	75,869	0	966,090	0	0	0	0	321,981	1,363,940
Other Local Revenues	397,533	74,436	11,693	41,874	110,888	0	0	17,344	653,768
Fees Received from County Officials	812,798	0	0	0	0	0	0	0	812,798
State of Tennessee	665,259	559,592	0	1,491,861	0	0	0	0	2,716,712
Federal Government	84,276	0	10,719	0	671,306	0	0	718,135	1,484,436
Other Governments and Citizens Groups	80,084	0	0	0	0	296,000	0	20,000	396,084
<b>Total Revenues</b>	<b>\$ 5,869,325</b>	<b>\$ 946,256</b>	<b>\$ 988,502</b>	<b>\$ 1,787,137</b>	<b>\$ 1,258,092</b>	<b>\$ 2,043,569</b>	<b>\$ 1,097,171</b>	<b>\$ 1,097,171</b>	<b>\$ 13,990,052</b>
<b>Expenditures</b>									
Current:									
General Government	\$ 1,085,519	\$ 26,137	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,500	\$ 1,114,156
Finance	518,584	0	0	0	0	0	0	0	518,584
Administration of Justice	493,501	0	0	0	0	0	0	31,981	525,482
Public Safety	3,272,355	0	0	0	0	0	0	17,927	3,290,282
Public Health and Welfare	135,922	0	1,178,383	0	0	0	0	299,879	1,614,184
Social, Cultural, and Recreational Services	210,927	0	0	0	0	0	0	0	210,927
Agriculture and Natural Resources	200,425	0	0	0	0	0	0	0	200,425
Other Operations	522,102	3,137	0	0	0	0	0	326,307	851,546
Highways	0	0	0	2,333,302	0	0	0	0	2,333,302
Debt Service:									
Principal on Debt	146,448	325,662	0	51,651	1,069,832	1,075,000	0	0	2,668,593
Interest on Debt	62,836	304,396	3,099	1,318	111,577	746,838	0	0	1,230,064
Other Debt Service	0	39,157	0	0	20,050	21,912	0	0	81,119
Capital Projects	0	940,998	0	0	0	0	0	347,656	1,288,654
<b>Total Expenditures</b>	<b>\$ 6,648,619</b>	<b>\$ 1,639,487</b>	<b>\$ 1,181,482</b>	<b>\$ 2,386,271</b>	<b>\$ 1,201,459</b>	<b>\$ 1,843,750</b>	<b>\$ 1,026,250</b>	<b>\$ 1,026,250</b>	<b>\$ 15,927,318</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (779,294)</b>	<b>\$ (693,231)</b>	<b>\$ (192,980)</b>	<b>\$ (599,134)</b>	<b>\$ 56,633</b>	<b>\$ 199,819</b>	<b>\$ 70,921</b>	<b>\$ (1,937,266)</b>	

(Continued)

Exhibit C-3

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

	Major Funds							Nonmajor Funds		Total Governmental Funds
	Courthouse and Jail Maintenance		Ambulance Service	Highway / Public Works	General Debt Service	Education Debt Service	Other Governmental Funds			
	General	Maintenance								
<u>Other Financing Sources (Uses)</u>										
Notes Issued	\$ 0	\$ 0	\$ 135,450	\$ 53,141	\$ 0	\$ 0	\$ 0	\$ 112,500	\$ 301,091	
Other Loans Issued	0	855,347	0	0	0	0	0	0	855,347	
Transfers In	375,917	0	50,000	863,383	92	0	0	40,284	1,329,676	
Transfers Out	(50,000)	(357,000)	0	0	0	0	0	(922,676)	(1,329,676)	
Total Other Financing Sources (Uses)	\$ 325,917	\$ 498,347	\$ 185,450	\$ 916,524	\$ 92	\$ 0	\$ 0	\$ (769,892)	\$ 1,156,438	
Net Change in Fund Balances	\$ (453,377)	\$ (194,884)	\$ (7,530)	\$ 317,390	\$ 56,725	\$ 199,819	\$ (698,971)	\$ (840,427)	\$ (780,828)	
Fund Balance, July 1, 2010	1,238,813	462,194	128,656	317,056	499,473	1,492,183	840,427	4,978,802	4,978,802	
Fund Balance, June 30, 2011	\$ 785,436	\$ 267,310	\$ 121,126	\$ 634,446	\$ 556,198	\$ 1,692,002	\$ 141,456	\$ 4,197,974	\$ 4,197,974	

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, 2011

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)		\$ (780,828)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,779,382	
Less: current-year depreciation expense	<u>(977,158)</u>	802,224
(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		(28,181)
(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, 2010	\$ (948,098)	
Add: deferred delinquent property taxes and other deferred June 30, 2011	<u>1,200,239</u>	252,141
(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	\$ (301,091)	
Less: other loan proceeds	(855,347)	
Add: principal payments on bonds	1,145,884	
Add: principal payments on notes	1,082,420	
Add: principal payments on other loans	440,289	
Less: current-year portion of amortized debt issuance costs	<u>(425)</u>	1,511,730
(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	\$ 25,939	
Change in compensated absences payable	34,161	
Change in other postemployment benefits liability	<u>(37,984)</u>	22,116
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,779,202</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 Fund  
June 30, 2011

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 727,719
Accounts Receivable	130,247
Allowance for Uncollectibles	(272)
Due from Other Governments	2,700
Due from Other Funds	1,916
Total Current Assets	<u>\$ 862,310</u>
Noncurrent Assets:	
Capital Assets:	
Assets not Depreciated:	
Land	\$ 2,052,484
Assets Net of Accumulated Depreciation:	
Landfill Facilities and Development	2,571,333
Buildings and Improvements	54,989
Machinery and Equipment	522,929
Total Noncurrent Assets	<u>\$ 5,201,735</u>
Total Assets	<u>\$ 6,064,045</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Contracts Payable	\$ 240,850
Due to Other Funds	1,211
Capital Outlay Notes Payable	210,621
Other Loans Payable	25,494
Accrued Liability for Landfill Closure/Postclosure Care Costs	11,523
Total Current Liabilities	<u>\$ 489,699</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 2,772,436
Capital Outlay Notes Payable	1,207,628
Other Loans Payable	1,882,987
Total Noncurrent Liabilities	<u>\$ 5,863,051</u>
Total Liabilities	<u>\$ 6,352,750</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	\$ 1,875,005
Unrestricted	<u>(2,163,710)</u>
Total Net Assets (Deficit)	<u>\$ (288,705)</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, 2011

	Business-type Activities - Major Enterprise Fund
	<u>Solid</u>
	Waste
	<u>Disposal</u>
	<u>Fund</u>
<u>Operating Revenues</u>	
Licenses and Permits	\$ 1,260
Charges for Current Services	1,127,696
Total Operating Revenues	<u>\$ 1,128,956</u>
<u>Operating Expenses</u>	
Other Waste Collection	\$ 14,259
Landfill Operations and Maintenance	738,074
Depreciation Expense	185,957
Total Operating Expenses	<u>\$ 938,290</u>
 Operating Income (Loss)	 <u>\$ 190,666</u>
<u>Nonoperating Revenues (Expenses)</u>	
Sale of Recycled Materials	\$ 33,675
Miscellaneous Refunds	924
Grants Received	9,955
Loss on Disposal of Capital Assets	(16,095)
Interest on Notes	(22,495)
Interest on Capital Lease	(2,671)
Interest on Loans	(81,885)
Total Nonoperating Revenues (Expenses)	<u>\$ (78,592)</u>
 Change in Net Assets	 \$ 112,074
Prior-period Adjustment	(79,343)
Net Assets (Deficit), July 1, 2010	<u>(321,436)</u>
 Net Assets (Deficit), June 30, 2011	 <u>\$ (288,705)</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 Fund  
For the Year Ended June 30, 2011

	Business-type Activities - Major Enterprise Fund <hr/> Solid Waste Disposal Fund <hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 1,138,865
Payments to Suppliers	(468,759)
Payments to Employees	(282,402)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ 387,704 <hr/>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	\$ 7,255
Net Cash Provided By (Used In) Noncapital Financing Activities	<hr/> \$ 7,255 <hr/>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Sale of Recycled Materials	\$ 49,088
Proceeds from Capital Debt	951,583
Acquisition and Construction of Capital Assets	(706,121)
Principal Paid on Capital Outlay Note	(77,778)
Principal Paid on Capital Lease	(76,187)
Principal Paid on Other Loan	(24,435)
Interest Paid on Capital Outlay Note	(21,284)
Interest Paid on Capital Lease	(2,671)
Interest Paid on Other Loan	(81,885)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<hr/> \$ 10,310 <hr/>
Net Increase (Decrease) in Cash	\$ 405,269
Cash, July 1, 2010	<hr/> 322,450 <hr/>
Cash, June 30, 2011	<hr/> <hr/> \$ 727,719 <hr/> <hr/>

(Continued)

Exhibit D-3

Smith County, Tennessee  
Statement of Cash Flows  
Proprietary Fund (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)	\$ 190,666
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	185,957
(Increase) Decrease in Accounts Receivable, Net	25,322
(Increase) Decrease in Due from Other Governments	60
(Increase) Decrease in Due from Other Funds	(1,916)
Increase (Decrease) in Accounts Payable	(11,226)
Increase (Decrease) in Due to State of Tennessee	(1,767)
Increase (Decrease) in Payroll Deductions Payable	(603)
Increase (Decrease) in Due to Other Funds	<u>1,211</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 387,704</u>

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

Exhibit E

Smith County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,923,669
Due from Other Governments	<u>192,058</u>
Total Assets	<u><u>\$ 2,115,727</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 192,058
Due to Litigants, Heirs, and Others	<u>1,923,669</u>
Total Liabilities	<u><u>\$ 2,115,727</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, 2011**

**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

**Related Organization** – The Industrial Development Board of Smith County is a related organization of Smith County. The county mayor nominates and the Smith County Commission confirms the board members, but the county’s accountability for the organization does not extend beyond making the appointments.

**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. Smith County did not issue any debt for the School Department in the year ended June 30, 2011.

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, the proprietary fund, 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 special revenue fund is used to account for a special tax levied by private act on litigation, wheel tax, and prisoner board payments, which must be used to pay for improvements or maintenance to the courthouse and jail.

**Ambulance Service Fund** – This special revenue fund is used to account for transactions of the Ambulance Service. Patient charges are the foundational revenue for this fund

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

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

**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.

**Permanent Fund** – The Library Endowment Fund is used to account for resources that are being held in trust for library operations. Earnings on invested resources may be used to fund library operations, but the principal is required to be maintained intact.

**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 funds:

**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.

**School Federal Projects Fund** – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

**Central Cafeteria Fund** – This special revenue fund is used to account for the cafeteria operations in each of the schools. Grant funds and student food sales are the foundational revenues of this fund.

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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**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 2.69 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.

Most payables are disaggregated on the face of the financial statements.

**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 does 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.

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes for the discretely presented School Department totaling \$1,057,491 consists primarily of restrictions for special projects (\$506,500), vocational projects (\$100,000), and textbooks (\$217,205).

As of June 30, 2011, Smith County had \$14,000,000 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 fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget/Finance Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

## **7. Prior-period Adjustment**

Closure/postclosure care costs were restated \$79,343 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.

At June 30, 2011, the Smith County School Department reported the following significant encumbrance:

Fund	Description	Amount
School Department:		
Major Fund:		
General Purpose School	Textbooks	\$ 217,205

**B. Net Assets Deficit**

The Solid Waste Disposal Fund had a deficit of \$2,163,710 in unrestricted net assets at June 30, 2011. This deficit resulted from the recognition of a liability of \$2,783,959 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.

**C. Cash Shortage**

A cash shortage of \$75,012.61 existed in the General Sessions Court and \$995 in Circuit Court on September 27, 2011. This shortage was a result of theft committed by an employee of the Office of Circuit and General Sessions Courts Clerk between the months of November 2010 and September 2011. A detailed description of this shortage can be found in the Schedule of Findings and Questioned Costs in this report.

**D. The Estimated Beginning Fund Balance Exceeded the Actual Fund Balance by a Material Amount**

The General Purpose School Fund's estimated fund balance reflected in the county's budget was \$4,622,796; however, the actual fund balance at July 1, 2010, was \$2,858,177. Therefore, the estimated fund balance presented to the County Commission during the budget process exceeded the actual fund balance by \$1,767,333.

**E. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Early Childhood Education major appropriation category (the legal level of control) of the General Purpose School Fund by \$7,531. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

**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, 2011.

### **B. Notes Receivable**

The General Debt Service Fund had a long-term note receivable of \$60,000 on June 30, 2011, from an interest-free note issued to the Industrial Development Board of Smith County. This note is scheduled to be repaid to the county in ten equal installments. The balance of this receivable is reflected in the restricted fund balance account.

### **C. Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 1,039,935	\$ 0	\$ 0	\$ 1,039,935
Construction in Progress	9,122,350	0	(9,122,350)	0
Intangible Assets - Indefinite Life	1,009,865	0	0	1,009,865
Total Capital Assets Not Depreciated	<u>\$ 11,172,150</u>	<u>\$ 0</u>	<u>\$ (9,122,350)</u>	<u>\$ 2,049,800</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,971,101	\$ 10,521,233	\$ 0	\$ 16,492,334
Infrastructure	20,213,892	0	0	20,213,892
Other Capital Assets	4,526,635	380,499	(141,940)	4,765,194
Total Capital Assets Depreciated	<u>\$ 30,711,628</u>	<u>\$ 10,901,732</u>	<u>\$ (141,940)</u>	<u>\$ 41,471,420</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 871,311	\$ 293,842	\$ 0	\$ 1,165,153
Infrastructure	6,270,553	112,229	0	6,382,782
Other Capital Assets	1,735,797	571,087	(113,759)	2,193,125
Total Accumulated Depreciation	<u>\$ 8,877,661</u>	<u>\$ 977,158</u>	<u>\$ (113,759)</u>	<u>\$ 9,741,060</u>
Total Capital Assets Depreciated, Net	<u>\$ 21,833,967</u>	<u>\$ 9,924,574</u>	<u>\$ (28,181)</u>	<u>\$ 31,730,360</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,006,117</u>	<u>\$ 9,924,574</u>	<u>\$ (9,150,531)</u>	<u>\$ 33,780,160</u>

### Business-type Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 2,052,484	\$ 0	\$ 0	\$ 2,052,484
Total Capital Assets Not Depreciated	<u>\$ 2,052,484</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,052,484</u>

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

	Balance		Balance	
	7-1-10	Increases	Decreases	6-30-11
Capital Assets Depreciated:				
Landfill Facilities and Development	\$ 2,313,068	\$ 824,971	\$ 0	\$ 3,138,039
Buildings and Improvements	74,039	0	0	74,039
Other Capital Assets	1,521,138	122,000	(553,194)	1,089,944
Total Capital Assets				
Depreciated	<u>\$ 3,908,245</u>	<u>\$ 946,971</u>	<u>\$ (553,194)</u>	<u>\$ 4,302,022</u>
Less Accumulated Depreciation For:				
Landfill Facilities and Development	\$ 480,937	\$ 85,769	\$ 0	\$ 566,706
Buildings and Improvements	17,430	1,620	0	19,050
Other Capital Assets	992,546	98,568	(524,099)	567,015
Total Accumulated				
Depreciation	<u>\$ 1,490,913</u>	<u>\$ 185,957</u>	<u>\$ (524,099)</u>	<u>\$ 1,152,771</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 2,417,332</u>	<u>\$ 761,014</u>	<u>\$ (29,095)</u>	<u>\$ 3,149,251</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 4,469,816</u>	<u>\$ 761,014</u>	<u>\$ (29,095)</u>	<u>\$ 5,201,735</u>

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

**Governmental Activities:**

General Government	\$ 61,345
Public Safety	428,809
Public Health and Welfare	267,022
Social, Cultural, and Recreational Services	51,710
Highway/Public Works	<u>168,272</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 977,158</u>

**Business-type Activities:**

Solid Waste Disposal	<u>\$ 185,957</u>
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**Discretely Presented Smith County School Department**

**Governmental Activities:**

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 1,226,738	\$ 0	\$ 0	\$ 1,226,738
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 1,226,738</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,226,738</b>
<b>Capital Assets Depreciated:</b>				
Buildings and Improvements	\$ 39,052,541	\$ 0	\$ 0	\$ 39,052,541
Infrastructure	129,000	0	0	129,000
Other Capital Assets	2,630,168	249,630	(203,133)	2,676,665
<b>Total Capital Assets Depreciated</b>	<b>\$ 41,811,709</b>	<b>\$ 249,630</b>	<b>\$ (203,133)</b>	<b>\$ 41,858,206</b>
<b>Less Accumulated Depreciated For:</b>				
Buildings and Improvements	\$ 8,692,509	\$ 873,935	\$ 0	\$ 9,566,444
Infrastructure	22,844	3,225	0	26,069
Other Capital Assets	1,169,156	264,923	(171,153)	1,262,926
<b>Total Accumulated Depreciation</b>	<b>\$ 9,884,509</b>	<b>\$ 1,142,083</b>	<b>\$ (171,153)</b>	<b>\$ 10,855,439</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 31,927,200</b>	<b>\$ (892,453)</b>	<b>\$ (31,980)</b>	<b>\$ 31,002,767</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 33,153,938</b>	<b>\$ (892,453)</b>	<b>\$ (31,980)</b>	<b>\$ 32,229,505</b>

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

**Governmental Activities:**

Instruction	\$ 944,313
Support Services	197,770
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,142,083</b>

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

The composition of interfund balances as of June 30, 2011, was as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 560
General	Courthouse and Jail Maintenance	157,000
General	Ambulance Service	3,504
Courthouse and Jail Maintenance	General	1,200
Courthouse and Jail Maintenance	General Debt Service	1,232
General Debt Service	General	23,792
General Debt Service	Solid Waste Disposal	1,211
Solid Waste Disposal	Nonmajor governmental	1,916

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In				
	General Fund	Ambulance Service Fund	Highway/Public Works Fund	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 50,000	\$ 0	\$ 0	0
Courthouse and Jail Maintenance Fund	357,000	0	0	0	0
Nonmajor governmental funds	18,917	0	863,383	92	40,284
Total	\$ 375,917	\$ 50,000	\$ 863,383	\$ 92	40,284

**Discretely Presented Smith County School Department**

Transfer Out	Transfer In
	General Purpose School Fund
School Federal Projects Fund	\$ 36,997

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

**E. Long-term Debt**

**Primary Government**

**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, 2011, will be retired from the General, Courthouse and Jail Maintenance, Ambulance Service, 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, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	3 to 5.5 %	\$ 24,497,200	\$ 2,628,077
General Obligation Bonds - Refunding	5	12,800,000	12,800,000
Capital Outlay Notes	1.99 to 4.4	3,243,128	2,055,086
Other Loans	Variable	12,628,599	11,800,470

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, 2011, the variable interest rate for each of these loans was .27 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 .5 percent on the \$1,250,000 loan and .45 percent on the \$1,378,599 loan at June 30, 2011.

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 made available \$10,000,000 to Smith County on an as-needed basis for construction of a jail facility. At June 30, 2011, the county had borrowed the entire amount of the available funds. 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 .27 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, 2011, totaled approximately .45 percent (letter of credit), .08 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, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 750,385	\$ 83,810	\$ 834,195
2013	358,414	58,930	417,344
2014	204,566	35,611	240,177
2015	164,178	28,676	192,854
2016	164,179	22,198	186,377
2017-2020	413,364	35,770	449,134
Total	\$ 2,055,086	\$ 264,995	\$ 2,320,081

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 425,700	\$ 286,919	\$ 66,060	\$ 778,679
2013	444,240	277,406	63,775	785,421
2014	465,900	267,449	61,392	794,741
2015	487,690	256,986	58,892	803,568
2016	510,630	245,991	56,277	812,898
2017-2021	2,934,550	1,045,120	237,693	4,217,363
2022-2026	3,581,360	676,214	150,518	4,408,092
2027-2030	2,950,400	211,579	44,281	3,206,260
Total	<u>\$ 11,800,470</u>	<u>\$ 3,267,664</u>	<u>\$ 738,888</u>	<u>\$ 15,807,022</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2017-2021	8,204,767	1,464,848	9,669,615
2022-2026	411,018	167,099	578,117
2027-2031	292,983	70,161	363,144
2032-2036	64,367	33,247	97,614
2037-2041	58,603	17,253	75,856
2042-2043	6,759	2,037	8,796
Total	<u>\$ 15,428,077</u>	<u>\$ 4,982,330</u>	<u>\$ 20,410,407</u>

There is \$556,198 available in the General Debt Service Fund and \$1,692,002 in the Education Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$805, based on the 2010 federal census. Debt per capita, including bonds, notes, and other loans totaled \$1,528, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities

	Notes	Other Loans	Bonds
Balance, July 1, 2010	\$ 2,836,415	\$ 11,385,412	\$ 16,573,961
Additions	301,091	855,347	0
Deductions	(1,082,420)	(440,289)	(1,145,884)
Balance, June 30, 2011	<u>\$ 2,055,086</u>	<u>\$ 11,800,470</u>	<u>\$ 15,428,077</u>
Balance Due Within One Year	<u>\$ 750,385</u>	<u>\$ 425,700</u>	<u>\$ 1,148,359</u>

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 186,893	\$ 44,551
Additions	7,222	45,106
Deductions	(41,383)	(7,122)
Balance, June 30, 2011	<u>\$ 152,732</u>	<u>\$ 82,535</u>
Balance Due Within One Year	<u>\$ 7,222</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 29,518,900
Less: Due Within One Year	<u>(2,331,666)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 27,187,234</u>

Compensated absences and other postemployment benefits 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. Payments on the defeased bonds are scheduled to begin in the 2011-12 fiscal year. At June 30, 2011, 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)**

Notes and Other Loans

Capital outlay notes and other loans outstanding were issued for original terms of up to nine years for notes, and up to 40 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 notes and other loans included in long-term debt as of June 30, 2011, will be retired from the Solid Waste Disposal Fund.

Capital outlay notes and other loans outstanding as of June 30, 2011, for business-type activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-11</u>
Capital Outlay Notes	1.99 to 4.21 %	\$ 1,161,583	\$ 1,448,249
Other Loans	4.25	2,000,000	1,908,481

In prior years, Smith County entered into a loan agreement with the United States Department of Agriculture (USDA). Under this loan agreement, the USDA loaned \$2,000,000 to Smith County for the construction of a recycling facility at the landfill. This loan is repayable in monthly installments at an interest rate of 4.25 percent.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 210,621	\$ 44,674	\$ 255,295
2013	210,621	37,850	248,471
2014	763,675	31,029	794,704
2015	77,778	8,186	85,964
2016	77,778	4,911	82,689
2017	77,776	1,637	79,413
Total	<u>\$ 1,418,249</u>	<u>\$ 128,287</u>	<u>\$ 1,546,536</u>

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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
2017-2021	171,854	359,746	531,600
2022-2026	212,466	319,134	531,600
2027-2031	262,670	268,930	531,600
2032-2036	324,739	206,861	531,600
2037-2041	401,477	130,123	531,600
2042-2046	396,267	36,857	433,124
Total	<u>\$ 1,908,481</u>	<u>\$ 1,714,244</u>	<u>\$ 3,622,725</u>

#### Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2011, was as follows:

#### Business-type Activities:

	Notes	Other Loans
Balance, July 1, 2010	\$ 544,444	\$ 1,932,916
Additions	951,583	0
Deductions	(77,778)	(24,435)
Balance, June 30, 2011	<u>\$ 1,418,249</u>	<u>\$ 1,908,481</u>
Balance Due Within One Year	<u>\$ 210,621</u>	<u>\$ 25,494</u>

	Capital Lease	Closure/ Postclosure Care Costs
Balance, July 1, 2010	\$ 76,187	\$ 2,704,616
Additions	0	79,343
Deductions	(76,187)	0
Balance, June 30, 2011	<u>\$ 0</u>	<u>\$ 2,783,959</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 11,523</u>

The additions to the closure/postclosure care costs in the above schedule represent a prior-period adjustment based on updated estimates of the estimated liability.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 6,110,689
Less: Due Within One Year	<u>(247,638)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,863,051</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, 2011, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 59,584	\$ 261,772
Additions	43,835	218,622
Deductions	(28,193)	(189,309)
Balance, June 30, 2011	<u>\$ 75,226</u>	<u>\$ 291,085</u>
Balance Due Within One Year	<u>\$ 28,194</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$	366,311
Less: Due Within One Year		<u>(28,194)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$	<u>338,117</u>

Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General Purpose School Fund.

**F. 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 \$669,215.

**G. On-Behalf Payments**

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Smith County. These payments are made by the state to the Medicare Supplement Plan, which is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$2,977. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

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, 2011, were \$62,671 and \$17,758, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Short-term Debt**

Smith County issued revenue anticipation notes in advance of revenue collections and deposited the proceeds in the General Capital Projects Fund (\$500,000) and the Ambulance Service Fund (\$100,000). These notes were necessary to provide temporary operating funds before current collections. Short-term debt activity for the year ended June 30, 2011, was as follows:

	Balance		Balance	
	7-1-10	Issued	Paid	6-30-11
Revenue Anticipation Notes	\$ 0	\$ 600,000	\$ (600,000)	\$ 0

**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 Change**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Smith County and the Smith County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

### **C. Subsequent Events**

Subsequent to June 30, 2011, Smith County issued the following capital outlay notes:

Date	Amount Issued	Purpose
7-11-11	\$ 80,000	Ambulance Remount
8-8-11	191,000	Patrol Cars
8-11-11	400,000	Highway Repairs
8-22-11	200,000	Highway Repairs
1-13-12	25,000	Highway Repairs

**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. Changes in Administration**

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.

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

**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. During the year examined, the county filled up the operating landfill and opened a new cell adjacent to it. The landfill has not yet been closed, and the county does not anticipate closure of this area until the new cell is also filled. The \$2,783,959 reported as landfill closure and postclosure care liability at June 30, 2011, represents the cumulative amount reported to date based on 100 percent use of the estimated capacity of the operating landfill (\$2,614,807) and for a landfill closed in 1999 (\$169,159).

These amounts are based on what it would cost to perform all closure and postclosure care in 2011. 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, 2011, 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 2010-11 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**

### **Plan Description**

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

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

### **Funding Policy**

Smith County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 7.21 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2011, the county's annual pension cost of \$474,771 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the 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 2.5 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 ten-year period. The 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, 2009, was six 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
6-30-11	\$474,771	100%	\$0
6-30-10	406,858	100	0
6-30-09	398,778	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 \$13 million, and the actuarial value of assets was \$11 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## SCHOOL TEACHERS

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230, or can be accessed at [www.tn.gov/treasury/tcrs/Schools](http://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, 2011, was 9.05 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, 2011, 2010, and 2009, were \$1,021,719, \$722,887, and \$722,336, 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. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) 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 \$7,122 and \$189,309, respectively, to other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Primary Government	School Department
	Local Government Group Plan	Local Education Group Plan
ARC	\$ 45,000	\$ 218,000
Interest on the NPO	2,005	11,780
Adjustment to the ARC	(1,899)	(11,158)
Annual OPEB cost	\$ 45,106	\$ 218,622
Amount of contribution	(7,122)	(189,309)
Increase/decrease in NPO	\$ 37,984	\$ 29,313
Net OPEB obligation, 7-1-10	44,551	261,772
Net OPEB obligation, 6-30-11	\$ 82,535	\$ 291,085

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

6-30-09	Local Government Group	\$ 14,424	67	% \$ 9,172
6-30-10	"	43,020	16	44,551
6-30-11	"	45,106	16	82,535

DISCRETELY PRESENTED SMITH  
COUNTY SCHOOL DEPARTMENT

6-30-09	Local Education Group	251,387	45	235,790
6-30-10	"	209,561	88	261,772
6-30-11	"	218,622	87	291,085

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Primary Government	School Department
	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 403,000	\$ 2,251,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 403,000	\$ 2,251,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 4,125,464	\$ 12,798,094
UAAL as a % of covered payroll	10%	18%

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, 2010, actuarial valuation for the Local Education Group Plan, 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) and an annual healthcare cost trend rate ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 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 Group Plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include 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 – 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	2011 Depreciation
Land Improvements	S/L	10 - 15	\$ 620
Buildings and Improvements	S/L	10 - 40	3,498
Communications Equipment	S/L	5 - 12	64,887
Furniture and Fixtures	S/L	5 - 10	2,361
Office Equipment	S/L	5 - 15	2,534
Vehicles	S/L	5 - 10	5,763
Total Depreciation			<u>\$ 79,663</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, 2011:

	Balance 6-30-11
Checking - Citizens Bank	\$ 181,667
Money Market - Citizens Bank	140,685
Certificate of Deposit - Citizens Bank	<u>30,000</u>
Total Cash	<u>\$ 352,352</u>

At June 30, 2011, the carrying amount of the district's cash deposits was \$352,352. 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, 2011. 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 capital assets at June 30, 2011:

<u>Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
<u>Non-Depreciable</u>			
Land	\$ 30,000	\$ 0	\$ 30,000
<u>Depreciable</u>			
Land Improvements	\$ 13,190	\$ 1,061	\$ 12,129
Buildings and Improvements	145,106	6,238	138,868
Communication Equipment	551,680	240,905	310,775
Furniture and Fixtures	12,293	4,262	8,031
Office Equipment	39,994	34,449	5,545
Vehicle	28,814	24,972	3,842
Total Depreciable	<u>\$ 791,077</u>	<u>\$ 311,887</u>	<u>\$ 479,190</u>
Total Assets	<u>\$ 821,077</u>	<u>\$ 311,887</u>	<u>\$ 509,190</u>

<u>Assets (Cont.)</u>	<u>Balance</u>			<u>Balance</u>
	<u>7-1-10</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-11</u>
<u>Non-Depreciable</u>				
Land	\$ 30,000	\$ 0	\$ 0	\$ 30,000
<u>Depreciable</u>				
Land Improvements	\$ 4,805	\$ 8,385	\$ 0	\$ 13,190
Buildings/Improvements	118,060	27,046	0	145,106
Communication Equipment	458,643	106,358	(13,321)	551,680
Furniture and Fixtures	12,293	0	0	12,293
Office Equipment	39,994	0	0	39,994
Vehicle	28,814	0	0	28,814
Total Depreciable	<u>\$ 662,609</u>	<u>\$ 141,789</u>	<u>\$ (13,321)</u>	<u>\$ 791,077</u>
Total Assets	<u>\$ 692,609</u>	<u>\$ 141,789</u>	<u>\$ (13,321)</u>	<u>\$ 821,077</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	\$	7,709
Miscellaneous Phone Companies		<u>662</u>
Subtotal	\$	8,371
State Emergency Communications Board		<u>7,682</u>
Total	\$	<u><u>16,053</u></u>

**G. Compensated Absences**

There were no employees at June 30, 2011.

**H. Invested in Capital Assets, Net of Related Debt**

Total Non-current Assets	\$	<u>509,190</u>
Invested in Capital Assets	\$	<u><u>509,190</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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,643,058	\$ 0	\$ 0	\$ 3,643,058	\$ 3,652,498	\$ 3,672,498	\$ (29,440)
Licenses and Permits	56,539	0	0	56,539	70,750	78,950	(22,411)
Fines, Forfeitures, and Penalties	53,909	0	0	53,909	80,840	60,840	(6,931)
Charges for Current Services	75,869	0	0	75,869	69,750	74,250	1,619
Other Local Revenues	397,533	0	0	397,533	311,190	381,613	15,920
Fees Received from County Officials	812,798	0	0	812,798	886,000	886,000	(73,202)
State of Tennessee	665,259	0	0	665,259	655,037	690,765	(25,506)
Federal Government	84,276	0	0	84,276	17,000	81,150	3,126
Other Governments and Citizens Groups	80,084	0	0	80,084	74,300	106,137	(26,053)
Total Revenues	\$ 5,869,325	\$ 0	\$ 0	\$ 5,869,325	\$ 5,817,365	\$ 6,032,203	\$ (162,878)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 31,575	(311)	\$ 0	\$ 31,264	\$ 33,096	\$ 32,096	\$ 832
Board of Equalization	2,100	0	0	2,100	2,100	2,100	0
County Mayor/Executive	169,921	(254)	0	169,667	173,434	169,794	127
County Attorney	39,139	0	0	39,139	50,000	54,000	14,861
Election Commission	170,993	(4,948)	1,731	167,776	186,065	200,148	32,372
Register of Deeds	138,173	0	0	138,173	142,181	143,431	5,258
Planning	11,500	0	0	11,500	13,750	13,750	2,250
Codes Compliance	91,763	(1,548)	0	90,215	86,463	92,663	2,448
County Buildings	427,378	(4,204)	3,585	426,759	373,102	434,954	8,195
Other General Administration	2,977	0	0	2,977	0	2,977	0
<u>Finance</u>							
Property Assessor's Office	151,227	(412)	0	150,815	151,598	151,598	783

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 16,267	\$ 0	\$ 0	\$ 16,267	\$ 16,843	\$ 16,843	\$ 576
County Trustee's Office	138,100	0	41	138,141	139,409	139,409	1,268
County Clerk's Office	212,990	(548)	0	212,442	219,173	219,173	6,731
<u>Administration of Justice</u>							
Circuit Court	242,861	(335)	406	242,932	258,987	258,987	16,055
General Sessions Judge	120,696	(200)	0	120,496	106,508	122,108	1,612
Chancery Court	106,563	(393)	400	106,570	110,901	110,901	4,331
Judicial Commissioners	19,901	0	0	19,901	22,204	22,204	2,303
Other Administration of Justice	3,480	0	0	3,480	2,100	3,500	20
<u>Public Safety</u>							
Sheriff's Department	1,794,954	(44,053)	30,070	1,780,971	1,964,978	1,848,114	67,143
Traffic Control	1,087	0	0	1,087	1,100	1,140	53
Jail	416,621	(18,625)	18,477	416,473	324,574	448,079	31,606
Correctional Incentive Program Improvements	538,151	0	0	538,151	450,414	554,814	16,663
Juvenile Services	36,831	0	253	37,084	37,202	37,602	518
Fire Prevention and Control	132,782	(12,961)	3,684	123,505	255,860	157,885	34,380
Rescue Squad	30,000	0	0	30,000	30,000	30,000	0
Other Emergency Management	37,782	(3,647)	654	34,789	34,857	35,357	568
Inspection and Regulation	2,584	0	0	2,584	2,584	2,584	0
County Coroner/Medical Examiner	41,649	(1,649)	0	40,000	30,500	40,500	500
Other Public Safety	239,914	0	0	239,914	235,040	238,160	(1,754)
<u>Public Health and Welfare</u>							
Local Health Center	21,609	0	135	21,744	23,076	23,076	1,332
Other Local Health Services	64,037	(78)	0	63,959	69,569	70,250	6,291

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Appropriation to State	\$ 13,772	\$ 0	\$ 0	\$ 13,772	\$ 13,772	\$ 13,772	\$ 0
Aid to Dependent Children	0	0	0	0	1,500	1,500	1,500
Other Local Welfare Services	10,000	0	0	10,000	10,000	10,000	0
Waste Pickup	22,588	(600)	1,923	23,911	29,237	31,237	7,326
Other Public Health and Welfare	3,916	0	0	3,916	6,300	6,300	2,384
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	48,379	(1,224)	0	47,155	52,746	49,946	2,791
Libraries	86,134	0	931	87,065	100,969	112,263	25,198
Parks and Fair Boards	64,611	(8,068)	34	56,577	63,100	58,823	2,246
Other Social, Cultural, and Recreational	11,803	0	510	12,313	14,500	13,001	688
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	55,703	0	0	55,703	57,641	57,641	1,938
Soil Conservation	11,000	0	0	11,000	11,000	11,000	0
Other Agriculture and Natural Resources	133,722	(11,260)	264	122,726	80,500	134,739	12,013
<u>Other Operations</u>							
Tourism	300	0	0	300	1,300	300	0
Industrial Development	1,716	0	0	1,716	11,451	11,451	9,735
Other Economic and Community Development	32,867	0	0	32,867	32,867	32,867	0
Veterans' Services	11,073	0	0	11,073	11,477	11,477	404
Other Charges	204,178	0	0	204,178	211,365	211,409	7,231
Employee Benefits	45,594	0	0	45,594	45,392	46,908	1,314
ARRA Grant No. 2	33,160	0	0	33,160	0	33,160	0
Miscellaneous	193,214	0	496	193,710	243,059	230,062	36,352

(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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Principal on Debt</u>							
General Government	\$ 146,448	\$ 0	\$ 0	\$ 146,448	\$ 0	\$ 146,448	\$ 0
<u>Interest on Debt</u>							
General Government	62,836	0	0	62,836	0	62,836	0
Total Expenditures	\$ 6,648,619	\$ (115,318)	\$ 63,594	\$ 6,596,895	\$ 6,545,844	\$ 6,965,337	\$ 368,442
Excess (Deficiency) of Revenues Over Expenditures	\$ (779,294)	\$ 115,318	\$ (63,594)	\$ (727,570)	\$ (728,479)	\$ (933,134)	\$ 205,564
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 191,000	\$ 191,000	\$ (191,000)
Transfers In	375,917	0	0	375,917	357,000	365,089	10,828
Transfers Out	(50,000)	0	0	(50,000)	(100,000)	(150,000)	100,000
Total Other Financing Sources (Uses)	\$ 325,917	\$ 0	\$ 0	\$ 325,917	\$ 448,000	\$ 406,089	\$ (80,172)
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (453,377)	\$ 115,318	\$ (63,594)	\$ (401,653)	\$ (280,479)	\$ (527,045)	\$ 125,392
Fund Balance, June 30, 2011	1,238,813	(115,318)	0	1,123,495	1,119,960	1,119,960	3,535
Fund Balance, June 30, 2011	\$ 785,436	\$ 0	\$ (63,594)	\$ 721,842	\$ 839,481	\$ 592,915	\$ 128,927

Exhibit F-2

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Court House and Jail Maintenance Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 308,597	\$ 0	\$ 308,597	\$ 326,000	\$ 326,000	\$ (17,403)
Fines, Forfeitures, and Penalties	3,631	0	3,631	570	571	3,060
Other Local Revenues	74,436	0	74,436	0	0	74,436
State of Tennessee	559,592	0	559,592	766,500	766,500	(206,908)
Total Revenues	\$ 946,256	\$ 0	\$ 946,256	\$ 1,093,070	\$ 1,093,071	\$ (146,815)
<u>Expenditures</u>						
General Government						
County Buildings	\$ 26,137	\$ 0	\$ 26,137	\$ 22,200	\$ 25,340	\$ (797)
Other Operations	3,137	0	3,137	3,300	3,000	(137)
Miscellaneous						
Principal on Debt	325,662	0	325,662	325,665	325,662	0
Interest on Debt						
General Government	304,396	0	304,396	334,400	304,396	0
Other Debt Service						
General Government	39,157	0	39,157	0	39,157	0
Capital Projects						
Administration of Justice Projects	940,998	(940,998)	0	680,500	881,383	881,383
Total Expenditures	\$ 1,639,487	\$ (940,998)	\$ 698,489	\$ 1,366,065	\$ 1,578,938	\$ 880,449
Excess (Deficiency) of Revenues Over Expenditures	\$ (693,231)	\$ 940,998	\$ 247,767	\$ (272,995)	\$ (485,867)	\$ 733,634
<u>Other Financing Sources (Uses)</u>						
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 680,500	\$ 0	\$ 0
Other Loans Issued	855,347	0	855,347	0	855,347	0
Transfers Out	(357,000)	0	(357,000)	(357,000)	(357,000)	0
Total Other Financing Sources (Uses)	\$ 498,347	\$ 0	\$ 498,347	\$ 323,500	\$ 498,347	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (194,884)	\$ 940,998	\$ 746,114	\$ 50,505	\$ 12,480	\$ 733,634
	462,194	(940,998)	(478,804)	462,134	462,134	(940,938)
Fund Balance, June 30, 2011	\$ 267,310	\$ 0	\$ 267,310	\$ 512,639	\$ 474,614	\$ (207,304)

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 966,090	\$ 0	\$ 0	\$ 966,090	\$ 1,000,300	\$ 1,000,300	\$ (34,210)
Other Local Revenues	11,693	0	0	11,693	0	8,726	2,967
Federal Government	10,719	0	0	10,719	0	0	10,719
Total Revenues	\$ 988,502	\$ 0	\$ 0	\$ 988,502	\$ 1,000,300	\$ 1,009,026	\$ (20,524)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Ambulance/Emergency Medical Services	\$ 1,178,383	\$ (73,202)	\$ 7,522	\$ 1,112,703	\$ 1,129,199	\$ 1,177,699	\$ 64,996
Interest on Debt							
General Government	3,099	0	0	3,099	0	6,000	2,901
Total Expenditures	\$ 1,181,482	\$ (73,202)	\$ 7,522	\$ 1,115,802	\$ 1,129,199	\$ 1,183,699	\$ 67,897
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (192,980)	\$ 73,202	\$ (7,522)	\$ (127,300)	\$ (128,899)	\$ (174,673)	\$ 47,373
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 135,450	\$ 0	\$ 0	\$ 135,450	\$ 77,000	\$ 77,000	\$ 58,450
Transfers In	50,000	0	0	50,000	0	50,000	0
Total Other Financing Sources (Uses)	\$ 185,450	\$ 0	\$ 0	\$ 185,450	\$ 77,000	\$ 127,000	\$ 58,450
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2010	\$ (7,530)	\$ 73,202	\$ (7,522)	\$ 58,150	\$ (51,899)	\$ (47,673)	\$ 105,823
Fund Balance, July 1, 2010	128,656	(73,202)	0	55,454	124,054	124,054	(68,600)
Fund Balance, June 30, 2011	\$ 121,126	\$ 0	\$ (7,522)	\$ 113,604	\$ 72,155	\$ 76,381	\$ 37,223

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 253,402	\$ 381,447	\$ 381,447	\$ (128,045)
Other Local Revenues	41,874	10,150	10,150	31,724
State of Tennessee	1,491,861	1,622,656	1,622,656	(130,795)
Total Revenues	<u>\$ 1,787,137</u>	<u>\$ 2,014,253</u>	<u>\$ 2,014,253</u>	<u>\$ (227,116)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 167,415	\$ 161,814	\$ 169,978	\$ 2,563
Highway and Bridge Maintenance	1,311,669	998,619	1,740,332	428,663
Operation and Maintenance of Equipment	337,887	236,790	353,884	15,997
Other Charges	81,829	77,375	82,611	782
Employee Benefits	358,892	366,297	366,297	7,405
Capital Outlay	75,610	195,524	259,610	184,000
<u>Principal on Debt</u>				
Highways and Streets	51,651	50,000	52,830	1,179
<u>Interest on Debt</u>				
Highways and Streets	1,318	2,229	2,488	1,170
Total Expenditures	<u>\$ 2,386,271</u>	<u>\$ 2,088,648</u>	<u>\$ 3,028,030</u>	<u>\$ 641,759</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (599,134)</u>	<u>\$ (74,395)</u>	<u>\$ (1,013,777)</u>	<u>\$ 414,643</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 53,141	\$ 0	\$ 53,141	\$ 0
Transfers In	863,383	0	886,241	(22,858)
Total Other Financing Sources (Uses)	<u>\$ 916,524</u>	<u>\$ 0</u>	<u>\$ 939,382</u>	<u>\$ (22,858)</u>
Net Change in Fund Balance	\$ 317,390	\$ (74,395)	\$ (74,395)	\$ 391,785
Fund Balance, July 1, 2010	<u>317,056</u>	<u>413,290</u>	<u>413,290</u>	<u>(96,234)</u>
Fund Balance, June 30, 2011	<u>\$ 634,446</u>	<u>\$ 338,895</u>	<u>\$ 338,895</u>	<u>\$ 295,551</u>

Exhibit F-5

Smith County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Smith County School Department  
June 30, 2011

(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 entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the 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, 2011

(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
"	7-1-10	0	403	403	0	4,126	10

DISCRETELY PRESENTED SMITH COUNTY SCHOOL DEPARTMENT

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
"	7-1-10	0	2,251	2,251	0	12,798	18

**SMITH COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2011**

**BUDGETARY INFORMATION**

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

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

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

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

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

# Capital Projects Funds

---

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

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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. This fund closed during the year.

Head Start Facilities Projects Fund – The Head Start Facilities Projects Fund is used to account for capital expenditures for the construction of a head start facility. This fund closed during the year.

Fire Department Projects Fund – The Fire Department Projects Fund is used to account for capital expenditures for fire department construction and renovation projects. This fund closed during the year.

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

Emergency Watershed Protection Projects Fund – The Emergency Watershed Protection Projects Fund is used to account for grant funds received for watershed repairs and renovations caused by flood damage.

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.

## Permanent Fund

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The Library Endowment Fund is used to account for resources that are being held in trust for library operations. Earnings on invested resources may be used to fund library operations, but the principal is required to be maintained intact.

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Exhibit G-1

Smith County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

	Special Revenue Funds				Capital Projects Fund	Permanent Fund	Total
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	Library Endowment	Nonmajor Governmental Funds
\$	0 \$	0 \$	440 \$	440 \$	0 \$	0 \$	440
	11,397	63,825	0	75,222	28,130	40,454	143,806
	0	0	120	120	0	0	120
\$	11,397 \$	63,825 \$	560 \$	75,782 \$	28,130 \$	40,454 \$	144,366

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Payroll Deductions Payable  
 Due to Other Funds

Total Liabilities

Fund Balances

Nonspendable:  
 Endowments  
 Restricted:  
 Restricted for Public Safety  
 Committed:  
 Committed for Public Health and Welfare  
 Committed for Social, Cultural, and Recreational Services  
 Committed for Capital Outlay

Assigned:

Assigned for Public Health and Welfare

Total Fund Balances

Total Liabilities and Fund Balances

\$	434 \$	0 \$	0 \$	434 \$	0 \$	0 \$	434
	1,916	0	560	2,476	0	0	2,476
\$	2,350 \$	0 \$	560 \$	2,910 \$	0 \$	0 \$	2,910
\$	0 \$	0 \$	0 \$	0 \$	0 \$	40,284 \$	40,284
	0	63,825	0	63,825	0	0	63,825
	6,558	0	0	6,558	0	0	6,558
	0	0	0	0	0	170	170
	0	0	0	0	28,130	0	28,130
	2,489	0	0	2,489	0	0	2,489
\$	9,047 \$	63,825 \$	0 \$	72,872 \$	28,130 \$	40,454 \$	141,456
\$	11,397 \$	63,825 \$	560 \$	75,782 \$	28,130 \$	40,454 \$	144,366

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, 2011

	Special Revenue Funds					Capital Projects Funds	
	Public Library	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	Farmer's Market Projects
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 0 \$	0 \$	19,711 \$	0 \$	19,711 \$	0 \$	0
Charges for Current Services	0	290,000	0	31,981	321,981	0	0
Other Local Revenues	0	5,415	0	0	5,415	0	0
Federal Government	0	0	0	0	0	401,779	0
Other Governments and Citizens Groups	0	0	0	0	0	20,000	0
Total Revenues	\$ 0 \$	295,415 \$	19,711 \$	31,981 \$	347,107 \$	421,779 \$	0
<u>Expenditures</u>							
Current:							
General Government	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
Administration of Justice	0	0	0	31,981	31,981	0	0
Public Safety	0	0	17,927	0	17,927	0	0
Public Health and Welfare	0	299,879	0	0	299,879	0	0
Other Operations	0	692	0	0	692	0	0
Capital Projects	0	0	0	0	0	231,999	0
Total Expenditures	\$ 0 \$	300,571 \$	17,927 \$	31,981 \$	350,479 \$	231,999 \$	0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0 \$	(5,156) \$	1,784 \$	0 \$	(3,372) \$	189,780 \$	0
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
Transfers In	0	0	0	0	0	0	0
Transfers Out	(52,612)	0	0	0	(52,612)	0	(61)
Total Other Financing Sources (Uses)	\$ (52,612) \$	0 \$	0 \$	0 \$	(52,612) \$	0 \$	(61)
Net Change in Fund Balances	\$ (52,612) \$	(5,156) \$	1,784 \$	0 \$	(55,984) \$	189,780 \$	(61)
Fund Balance, July 1, 2010	52,612	14,203	62,041	0	128,856	(161,650)	61
Fund Balance, June 30, 2011	\$ 0 \$	9,047 \$	63,825 \$	0 \$	72,872 \$	28,130 \$	0

(Continued)

Exhibit G-2

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

	Capital Projects Funds (Cont.)							Permanent Fund		Total Nonmajor Governmental Funds
	Head Start Facilities Projects	Fire Department Projects	EMS Building Construction Projects	Emergency Watershed Protection Projects	Flooding Repair Projects	Total	Library Endowment			
<u>Revenues</u>										
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 19,711
Charges for Current Services	0	0	0	0	0	0	0	0	0	321,981
Other Local Revenues	0	0	0	8,875	2,884	11,759	170	170	170	17,344
Federal Government	0	0	258,981	57,375	0	718,135	0	0	0	718,135
Other Governments and Citizens Groups	0	0	0	0	0	20,000	0	0	0	20,000
Total Revenues	\$ 0	\$ 0	\$ 258,981	\$ 66,250	\$ 2,884	\$ 749,894	\$ 170	\$ 170	\$ 1,097,171	
<u>Expenditures</u>										
Current:										
General Government	\$ 0	\$ 0	\$ 0	\$ 2,500	\$ 0	\$ 2,500	\$ 0	\$ 0	\$ 0	\$ 2,500
Administration of Justice	0	0	0	0	0	0	0	0	0	31,981
Public Safety	0	0	0	0	0	0	0	0	0	17,927
Public Health and Welfare	0	0	0	0	0	0	0	0	0	299,879
Other Operations	0	0	258,981	63,750	2,884	325,615	0	0	0	326,307
Capital Projects	0	0	115,657	0	0	347,656	0	0	0	347,656
Total Expenditures	\$ 0	\$ 0	\$ 374,638	\$ 66,250	\$ 2,884	\$ 675,771	\$ 0	\$ 0	\$ 0	\$ 1,026,250
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ (115,657)	\$ 0	\$ 0	\$ 74,123	\$ 170	\$ 170	\$ 70,921	
<u>Other Financing Sources (Uses)</u>										
Notes Issued	\$ 0	\$ 0	\$ 112,500	\$ 0	\$ 0	\$ 112,500	\$ 0	\$ 0	\$ 0	\$ 112,500
Transfers In	0	0	0	0	0	0	40,284	40,284	40,284	40,284
Transfers Out	(31)	(6,589)	0	0	(863,383)	(870,064)	0	0	0	(922,676)
Total Other Financing Sources (Uses)	\$ (31)	\$ (6,589)	\$ 112,500	\$ 0	\$ (863,383)	\$ (757,564)	\$ 40,284	\$ 40,284	\$ (769,892)	
Net Change in Fund Balances	\$ (31)	\$ (6,589)	\$ (3,157)	\$ 0	\$ (863,383)	\$ (683,441)	\$ 40,454	\$ 40,454	\$ (698,971)	
Fund Balance, July 1, 2010	31	6,589	3,157	0	863,383	711,571	0	0	0	840,427
Fund Balance, June 30, 2011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,130	\$ 40,454	\$ 40,454	\$ 141,456	

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 290,000	\$ 0	\$ 0	\$ 290,000	\$ 316,840	\$ 316,840	\$ (26,840)
Other Local Revenues	5,415	0	0	5,415	2,500	2,500	2,915
Total Revenues	\$ 295,415	\$ 0	\$ 0	\$ 295,415	\$ 319,340	\$ 319,340	\$ (23,925)
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Waste Pickup	\$ 118,685	\$ (3,559)	\$ 2,089	\$ 117,215	\$ 119,948	\$ 122,948	\$ 5,733
Convenience Centers	181,141	(600)	400	180,941	202,540	199,534	18,593
Other Waste Disposal	53	0	0	53	50	53	0
<u>Other Operations</u>							
Employee Benefits	692	0	0	692	690	693	1
Total Expenditures	\$ 300,571	\$ (4,159)	\$ 2,489	\$ 298,901	\$ 323,228	\$ 323,228	\$ 24,327
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (5,156)	\$ 4,159	\$ (2,489)	\$ (3,486)	\$ (3,888)	\$ (3,888)	\$ 402
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2010	\$ (5,156)	\$ 4,159	\$ (2,489)	\$ (3,486)	\$ (3,888)	\$ (3,888)	\$ 402
	14,203	(4,159)	0	10,044	8,888	8,888	1,156
Fund Balance, June 30, 2011	\$ 9,047	\$ 0	\$ (2,489)	\$ 6,558	\$ 5,000	\$ 5,000	\$ 1,558

Exhibit G-4

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 19,711 \$	0 \$	19,711 \$	11,000 \$	11,000 \$	8,711
Total Revenues	\$ 19,711 \$	0 \$	19,711 \$	11,000 \$	11,000 \$	8,711
<u>Expenditures</u>						
<u>Public Safety</u>						
Sheriff's Department	\$ 17,734 \$	(7,545) \$	10,189 \$	12,000 \$	12,000 \$	1,811
Drug Enforcement	193	0	193	250	250	57
Total Expenditures	\$ 17,927 \$	(7,545) \$	10,382 \$	12,250 \$	12,250 \$	1,868
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,784 \$	7,545 \$	9,329 \$	(1,250) \$	(1,250) \$	10,579
Net Change in Fund Balance	\$ 1,784 \$	7,545 \$	9,329 \$	(1,250) \$	(1,250) \$	10,579
Fund Balance, July 1, 2010	62,041	(7,545)	54,496	54,384	54,384	112
Fund Balance, June 30, 2011	\$ 63,825 \$	0 \$	63,825 \$	53,134 \$	53,134 \$	10,691

# Major Governmental Funds

## Debt Service Funds

---

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

---

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

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

Exhibit H-1

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 475,898	\$ 468,225	\$ 468,225	\$ 7,673
Other Local Revenues	110,888	111,000	111,000	(112)
State of Tennessee	0	50,000	50,000	(50,000)
Federal Government	671,306	900,000	900,000	(228,694)
Total Revenues	<u>\$ 1,258,092</u>	<u>\$ 1,529,225</u>	<u>\$ 1,529,225</u>	<u>\$ (271,133)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,069,832	\$ 1,425,492	\$ 1,424,139	\$ 354,307
<u>Interest on Debt</u>				
General Government	111,577	180,165	171,359	59,782
<u>Other Debt Service</u>				
General Government	20,050	9,800	20,050	0
Total Expenditures	<u>\$ 1,201,459</u>	<u>\$ 1,615,457</u>	<u>\$ 1,615,548</u>	<u>\$ 414,089</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 56,633</u>	<u>\$ (86,232)</u>	<u>\$ (86,323)</u>	<u>\$ 142,956</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 0	\$ 10,000	\$ 10,000	\$ (10,000)
Transfers In	92	0	92	0
Total Other Financing Sources (Uses)	<u>\$ 92</u>	<u>\$ 10,000</u>	<u>\$ 10,092</u>	<u>\$ (10,000)</u>
Net Change in Fund Balance	\$ 56,725	\$ (76,232)	\$ (76,231)	\$ 132,956
Fund Balance, July 1, 2010	499,473	509,473	509,473	(10,000)
Fund Balance, June 30, 2011	<u>\$ 556,198</u>	<u>\$ 433,241</u>	<u>\$ 433,242</u>	<u>\$ 122,956</u>

Exhibit H-2

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Education Debt Service Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,747,569	\$ 1,727,135	\$ 1,727,135	\$ 20,434
Other Governments and Citizens Groups	296,000	296,000	296,000	0
Total Revenues	<u>\$ 2,043,569</u>	<u>\$ 2,023,135</u>	<u>\$ 2,023,135</u>	<u>\$ 20,434</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 1,075,000	\$ 1,075,000	\$ 1,075,000	\$ 0
<u>Interest on Debt</u>				
Education	746,838	746,838	746,838	0
<u>Other Debt Service</u>				
Education	21,912	22,300	22,300	388
Total Expenditures	<u>\$ 1,843,750</u>	<u>\$ 1,844,138</u>	<u>\$ 1,844,138</u>	<u>\$ 388</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 199,819</u>	<u>\$ 178,997</u>	<u>\$ 178,997</u>	<u>\$ 20,822</u>
Net Change in Fund Balance	\$ 199,819	\$ 178,997	\$ 178,997	\$ 20,822
Fund Balance, July 1, 2010	<u>1,492,183</u>	<u>1,592,182</u>	<u>1,592,182</u>	<u>(99,999)</u>
Fund Balance, June 30, 2011	<u>\$ 1,692,002</u>	<u>\$ 1,771,179</u>	<u>\$ 1,771,179</u>	<u>\$ (79,177)</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, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,923,669	\$ 1,923,669
Due from Other Governments	192,058	0	192,058
Total Assets	<u>\$ 192,058</u>	<u>\$ 1,923,669</u>	<u>\$ 2,115,727</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 192,058	\$ 0	\$ 192,058
Due to Litigants, Heirs, and Others	0	1,923,669	1,923,669
Total Liabilities	<u>\$ 192,058</u>	<u>\$ 1,923,669</u>	<u>\$ 2,115,727</u>

Exhibit I-2

Smith County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,098,049	\$ 1,098,049	\$ 0
Due from Other Governments	193,025	192,058	193,025	192,058
Total Assets	\$ 193,025	\$ 1,290,107	\$ 1,291,074	\$ 192,058
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 193,025	\$ 1,290,107	\$ 1,291,074	\$ 192,058
Total Liabilities	\$ 193,025	\$ 1,290,107	\$ 1,291,074	\$ 192,058
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,357,430	\$ 14,109,389	\$ 13,543,150	\$ 1,923,669
Total Assets	\$ 1,357,430	\$ 14,109,389	\$ 13,543,150	\$ 1,923,669
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,357,430	\$ 14,109,389	\$ 13,543,150	\$ 1,923,669
Total Liabilities	\$ 1,357,430	\$ 14,109,389	\$ 13,543,150	\$ 1,923,669
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,357,430	\$ 14,109,389	\$ 13,543,150	\$ 1,923,669
Equity in Pooled Cash and Investments	0	1,098,049	1,098,049	0
Due from Other Governments	193,025	192,058	193,025	192,058
Total Assets	\$ 1,550,455	\$ 15,399,496	\$ 14,834,224	\$ 2,115,727
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,357,430	\$ 14,109,389	\$ 13,543,150	\$ 1,923,669
Due to Other Taxing Units	193,025	1,290,107	1,291,074	192,058
Total Liabilities	\$ 1,550,455	\$ 15,399,496	\$ 14,834,224	\$ 2,115,727

# Smith County School Department

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

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

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

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

Exhibit J-1

Smith County, Tennessee  
 Statement of Activities  
 Discretely Presented Smith County School Department  
 For the Year Ended June 30, 2011

Functions/Programs	Program Revenues		Expenses	Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions		Total	Governmental Activities
Governmental Activities:					
Instruction	\$ 15,058,852	\$ 29,911	\$ 1,994,772	\$	(13,034,169)
Support Services	7,319,728	22,308	72,671		(7,224,749)
Operation of Non-Instructional Services	2,254,994	533,491	1,247,833		(473,670)
Other Debt Service	296,000	0	0		(296,000)
Total Governmental Activities	\$ 24,929,574	\$ 585,710	\$ 3,315,276	\$	(21,028,588)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$	2,863,938
Local Option Sales Taxes					1,305,727
Other Local Taxes					1,039
Grants and Contributions Not Restricted for Specific Programs					17,105,530
Interest Income					6,697
Miscellaneous					57,085
Total General Revenues				\$	21,340,016
Insurance Recovery				\$	500
Change in Net Assets				\$	311,928
Net Assets, July 1, 2010					36,686,721
Net Assets, June 30, 2011				\$	36,998,649

Exhibit J-2

Smith County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Smith County School Department  
June 30, 2011

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<b>ASSETS</b>				
Equity in Pooled Cash and Investments	\$ 4,024,580	\$ 76,597	\$ 676,234	\$ 4,777,411
Accounts Receivable	1,381	0	135	1,516
Due from Other Governments	813,496	26,115	0	839,611
Property Taxes Receivable	3,071,282	0	0	3,071,282
Allowance for Uncollectible Property Taxes	(159,146)	0	0	(159,146)
<b>Total Assets</b>	<b>\$ 7,751,593</b>	<b>\$ 102,712</b>	<b>\$ 676,369</b>	<b>\$ 8,530,674</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<u>Liabilities</u>				
Accounts Payable	\$ 21,054	\$ 864	\$ 39,084	\$ 61,002
Accrued Payroll	4,639	2,255	0	6,894
Payroll Deductions Payable	496,242	38,566	0	534,808
Deferred Revenue - Current Property Taxes	2,792,515	0	0	2,792,515
Deferred Revenue - Delinquent Property Taxes	104,537	0	0	104,537
Other Deferred Revenues	115,763	0	0	115,763
<b>Total Liabilities</b>	<b>\$ 3,534,750</b>	<b>\$ 41,685</b>	<b>\$ 39,084</b>	<b>\$ 3,615,519</b>
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 237,836	\$ 61,027	\$ 637,285	\$ 936,148
Committed:				
Committed for Education	3,037,821	0	0	3,037,821
Assigned:				
Assigned for Education	313,155	0	0	313,155
Unassigned	628,031	0	0	628,031
<b>Total Fund Balances</b>	<b>\$ 4,216,843</b>	<b>\$ 61,027</b>	<b>\$ 637,285</b>	<b>\$ 4,915,155</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,751,593</b>	<b>\$ 102,712</b>	<b>\$ 676,369</b>	<b>\$ 8,530,674</b>

Exhibit J-3

Smith County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Smith County School Department  
June 30, 2011

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)		\$	4,915,155
(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		102,931	
Add: buildings and improvements net of accumulated depreciation		29,486,097	
Add: other capital assets net of accumulated depreciation		<u>1,413,739</u>	32,229,505
(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	\$	(75,226)	
Less: other postemployment benefits liability		<u>(291,085)</u>	(366,311)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>220,300</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>36,998,649</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, 2011

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 4,461,070	\$ 0	\$ 0	\$ 4,461,070
Licenses and Permits	1,733	0	0	1,733
Charges for Current Services	28,318	0	534,102	562,420
Other Local Revenues	64,672	0	25,107	89,779
State of Tennessee	16,368,593	22,241	19,390	16,410,224
Federal Government	127,756	2,394,292	1,193,532	3,715,580
Other Governments and Citizens Groups	11,261	0	0	11,261
Total Revenues	<u>\$ 21,063,403</u>	<u>\$ 2,416,533</u>	<u>\$ 1,772,131</u>	<u>\$ 25,252,067</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 11,993,515	\$ 2,098,160	\$ 0	\$ 14,091,675
Support Services	6,822,382	391,435	0	7,213,817
Operation of Non-Instructional Services	523,220	0	1,730,757	2,253,977
Capital Outlay	107,117	0	0	107,117
Debt Service:				
Other Debt Service	296,000	0	0	296,000
Total Expenditures	<u>\$ 19,742,234</u>	<u>\$ 2,489,595</u>	<u>\$ 1,730,757</u>	<u>\$ 23,962,586</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,321,169</u>	<u>\$ (73,062)</u>	<u>\$ 41,374</u>	<u>\$ 1,289,481</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 500	\$ 0	\$ 0	\$ 500
Transfers In	36,997	0	0	36,997
Transfers Out	0	(36,997)	0	(36,997)
Total Other Financing Sources (Uses)	<u>\$ 37,497</u>	<u>\$ (36,997)</u>	<u>\$ 0</u>	<u>\$ 500</u>
Net Change in Fund Balances	\$ 1,358,666	\$ (110,059)	\$ 41,374	\$ 1,289,981
Fund Balance, July 1, 2010	2,858,177	171,086	595,911	3,625,174
Fund Balance, June 30, 2011	<u>\$ 4,216,843</u>	<u>\$ 61,027</u>	<u>\$ 637,285</u>	<u>\$ 4,915,155</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, 2011

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)		\$ 1,289,981
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital outlays purchased in the current period	\$ 249,630	
Less: current-year depreciation expense	<u>(1,142,083)</u>	(892,453)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: loss on disposal of capital assets		(31,980)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Less: deferred delinquent property taxes and other deferred June 30, 2010	\$ (228,965)	
Add: deferred delinquent property taxes and other deferred June 30, 2011	<u>220,300</u>	(8,665)
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences payable	\$ (15,642)	
Change in other postemployment benefits liability	<u>(29,313)</u>	(44,955)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 311,928</u>

Exhibit J-6

Smith County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Smith County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,461,070	\$ 0	\$ 0	\$ 4,461,070	\$ 4,600,170	\$ 4,600,170	\$ (139,100)
Licenses and Permits	1,733	0	0	1,733	1,500	1,500	233
Charges for Current Services	28,318	0	0	28,318	31,000	31,000	(2,682)
Other Local Revenues	64,672	0	0	64,672	71,000	71,000	(6,328)
State of Tennessee	16,368,593	0	0	16,368,593	16,046,350	16,126,779	241,814
Federal Government	127,756	0	0	127,756	85,000	85,000	42,756
Other Governments and Citizens Groups	11,261	0	0	11,261	0	14,000	(2,739)
Total Revenues	\$ 21,063,403	\$ 0	\$ 0	\$ 21,063,403	\$ 20,835,020	\$ 20,929,449	\$ 133,954

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,001,113	(759)	222,863	\$ 10,223,217	\$ 11,119,400	\$ 11,119,400	\$ 896,183
Alternative Instruction Program	58,290	0	0	58,290	60,360	60,360	2,070
Special Education Program	1,235,122	0	0	1,235,122	1,334,350	1,286,350	51,228
Vocational Education Program	698,990	0	186	699,176	716,800	733,800	34,624
<u>Support Services</u>							
Attendance	127,620	0	0	127,620	144,360	140,360	12,740
Health Services	214,276	(937)	62	213,401	212,500	215,500	2,099
Other Student Support	511,648	0	0	511,648	533,750	526,750	15,102
Regular Instruction Program	571,000	(918)	0	570,082	657,150	657,150	87,068
Special Education Program	151,240	0	0	151,240	167,300	167,300	16,060
Vocational Education Program	73,072	0	0	73,072	82,120	76,120	3,048
Other Programs	80,429	0	0	80,429	0	80,429	0
Board of Education	312,470	0	0	312,470	433,260	433,260	120,790

(Continued)

Exhibit J-6

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 7/1/2010	Add: Encumbrances 6/30/2011	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	\$ 156,346	\$ 0	\$ 7,984	\$ 164,330	\$ 171,420	\$ 171,420	\$ 7,090
Office of the Principal	1,196,194	0	0	1,196,194	1,304,000	1,304,000	107,806
Fiscal Services	254,984	0	0	254,984	223,700	258,700	3,716
Operation of Plant	1,594,757	(100)	0	1,594,657	1,626,050	1,626,050	31,393
Maintenance of Plant	427,932	0	700	428,632	461,610	461,610	32,978
Transportation	1,150,414	0	0	1,150,414	1,294,600	1,294,600	144,186
<u>Operation of Non-Instructional Services</u>							
Food Service	1,170	0	0	1,170	1,240	1,240	70
Community Services	47,530	0	0	47,530	50,000	50,000	2,470
Early Childhood Education	474,520	0	11,561	486,081	478,550	478,550	(7,531)
<u>Capital Outlay</u>							
Regular Capital Outlay	107,117	0	69,799	176,916	170,000	180,000	3,084
Principal on Debt	0	0	0	0	296,000	0	0
Education							
Other Debt Service							
Education	296,000	0	0	296,000	0	296,000	0
Total Expenditures	\$ 19,742,234	\$ (2,714)	\$ 313,155	\$ 20,052,675	\$ 21,538,520	\$ 21,618,949	\$ 1,566,274
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,321,169	\$ 2,714	\$ (313,155)	\$ 1,010,728	\$ (703,500)	\$ (689,500)	\$ 1,700,228

(Continued)

Exhibit J-6

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 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 500	\$ 0	\$ 0	\$ 500	\$ 14,000	\$ 14,000	\$ (13,500)
Transfers In	36,997	0	0	36,997	60,000	60,000	(23,003)
City General Fund Transfer	0	0	0	0	14,000	0	0
Total Other Financing Sources (Uses)	\$ 37,497	\$ 0	\$ 0	\$ 37,497	\$ 88,000	\$ 74,000	\$ (36,503)
Net Change in Fund Balance	\$ 1,358,666	\$ 2,714	\$ (313,155)	\$ 1,048,225	\$ (615,500)	\$ (615,500)	\$ 1,663,725
Fund Balance, July 1, 2010	2,858,177	(2,714)	0	2,855,463	4,622,796	4,622,796	(1,767,333)
Fund Balance, June 30, 2011	\$ 4,216,843	\$ 0	\$ (313,155)	\$ 3,903,688	\$ 4,007,296	\$ 4,007,296	\$ (103,608)

Exhibit J-7

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
State of Tennessee	\$ 22,241	\$ 0	\$ 0	\$ 22,241	\$ 0	\$ 22,241	\$ 0
Federal Government	2,394,292	0	0	2,394,292	3,153,408	3,134,357	(740,065)
Total Revenues	\$ 2,416,533	\$ 0	\$ 0	\$ 2,416,533	\$ 3,153,408	\$ 3,156,598	\$ (740,065)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 1,291,895	\$ (23,410)	\$ 0	\$ 1,268,485	\$ 1,632,856	\$ 1,646,153	\$ 377,668
Special Education Program	754,628	(16,839)	314	738,103	976,380	976,380	238,277
Vocational Education Program	36,307	(319)	0	35,988	36,287	35,988	0
Adult Education Program	15,330	0	0	15,330	19,942	26,813	11,483
<u>Support Services</u>							
Other Student Support	33,382	0	4,056	37,438	68,563	60,103	22,665
Regular Instruction Program	144,250	(7,810)	11,749	148,189	249,600	241,381	93,192
Special Education Program	78,028	(390)	786	78,424	107,316	107,316	28,892
Adult Programs	75,889	0	0	75,889	82,100	82,100	6,211
Transportation	59,886	0	0	59,886	61,067	61,067	1,181
Total Expenditures	\$ 2,489,595	\$ (48,768)	\$ 16,905	\$ 2,457,732	\$ 3,234,111	\$ 3,237,301	\$ 779,569
Excess (Deficiency) of Revenues Over Expenditures	\$ (73,062)	\$ 48,768	\$ (16,905)	\$ (41,199)	\$ (80,703)	\$ (80,703)	\$ 39,504
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,575	\$ 0	\$ 0
Transfers Out	(36,997)	0	0	(36,997)	(110,260)	(50,685)	13,688
Total Other Financing Sources (Uses)	\$ (36,997)	\$ 0	\$ 0	\$ (36,997)	\$ (50,685)	\$ (50,685)	\$ 13,688
Net Change in Fund Balance Fund Balance, July 1, 2010	\$ (110,059)	\$ 48,768	\$ (16,905)	\$ (78,196)	\$ (131,388)	\$ (131,388)	\$ 53,192
Fund Balance, July 1, 2010	171,086	(48,768)	0	122,318	131,388	131,388	(9,070)
Fund Balance, June 30, 2011	\$ 61,027	\$ 0	\$ (16,905)	\$ 44,122	\$ 0	\$ 0	\$ 44,122

Exhibit J-8

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 534,102	\$ 704,000	\$ 704,000	\$ (169,898)
Other Local Revenues	25,107	35,000	35,000	(9,893)
State of Tennessee	19,390	25,000	25,000	(5,610)
Federal Government	1,193,532	1,164,000	1,292,701	(99,169)
Total Revenues	<u>\$ 1,772,131</u>	<u>\$ 1,928,000</u>	<u>\$ 2,056,701</u>	<u>\$ (284,570)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,730,757	\$ 1,928,000	\$ 2,056,701	\$ 325,944
Total Expenditures	<u>\$ 1,730,757</u>	<u>\$ 1,928,000</u>	<u>\$ 2,056,701</u>	<u>\$ 325,944</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 41,374</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,374</u>
Net Change in Fund Balance	\$ 41,374	\$ 0	\$ 0	\$ 41,374
Fund Balance, July 1, 2010	<u>595,911</u>	<u>627,813</u>	<u>627,813</u>	<u>(31,902)</u>
Fund Balance, June 30, 2011	<u>\$ 637,285</u>	<u>\$ 627,813</u>	<u>\$ 627,813</u>	<u>\$ 9,472</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Smith County, Tennessee  
 Schedule of Changes in Long-term Notes,  
 Capital Leases, Other Loans, and Bonds  
 For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<b>GOVERNMENTAL ACTIVITIES</b>								
<b>NOTES PAYABLE</b>								
<u>Payable through General Fund</u>								
Patrol Cars	\$ 134,409	3.95 %	2-3-09	2-3-12	\$ 89,606	\$ 0	\$ 44,803	\$ 44,803
Patrol Cars	140,869	3.39	3-25-10	3-25-13	140,869	0	46,956	93,913
Total Payable through General Fund					\$ 230,475	\$ 0	\$ 91,759	\$ 138,716
<u>Payable through Ambulance Service Fund</u>								
Ambulance Equipment	60,000	3.42	7-9-10	7-9-16	\$ 0	\$ 60,000	\$ 0	\$ 60,000
EMS Stations	112,500	3.64	7-9-10	7-9-19	0	112,500	0	112,500
Total Payable through Ambulance Service Fund					\$ 0	\$ 172,500	\$ 0	\$ 172,500
<u>Payable through Highway/Public Works Fund</u>								
Highway Projects	200,000	4.4	11-27-06	11-27-10	\$ 48,821	\$ 0	\$ 48,821	\$ 0
Highway Equipment - Backhoe	53,141	2.96	4-19-11	4-19-14	0	53,141	2,830	50,311
Total Payable through Highway/Public Works Fund					\$ 48,821	\$ 53,141	\$ 51,651	\$ 50,311
<u>Payable through General Debt Service Fund</u>								
Health Department, Boat Ramp, Playground	1,066,800	3.85	1-16-07	1-16-19	\$ 800,100	\$ 0	\$ 88,900	\$ 711,200
Land Purchase (Jail Site)	280,000	4.22	3-27-07	3-27-16	186,667	0	31,111	155,556
Dump Trucks	350,224	4.15	11-5-07	11-5-12	210,134	0	70,045	140,089
Ambulance	64,654	4.12	4-8-08	4-8-11	21,552	0	21,552	0
Health Wellness Center	260,000	3.65	3-7-08	3-7-20	216,666	0	21,667	194,999
Ambulance Remount	72,000	3.3	5-19-09	4-23-12	48,000	0	24,000	24,000
Ambulance Remount	74,000	3.67	12-21-09	12-21-12	74,000	0	24,667	49,333
Highway Repairs	1,000,000	3.21	6-15-10	6-15-13	1,000,000	0	657,068	342,932
Ambulance Remount	75,450	1.99	12-10-10	12-10-13	0	75,450	0	75,450
Total Payable through General Debt Service Fund					\$ 2,557,119	\$ 75,450	\$ 939,010	\$ 1,693,559
Total Notes Payable					\$ 2,836,415	\$ 301,091	\$ 1,082,420	\$ 2,055,086

(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 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>GOVERNMENTAL ACTIVITIES (CONT.)</u>								
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Career/Agriculture Center Construction	\$ 1,250,000	variable	12-7-05	5-25-25	\$ 993,000	\$ 0	\$ 90,000	\$ 903,000
Head Start Facility and New Jail Facility	704,413	variable	10-31-07	5-25-27	637,684	0	24,627	613,057
Total Payable through General Debt Service Fund					\$ 1,630,684	\$ 0	\$ 114,627	\$ 1,516,057
<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	\$ 610,075	\$ 0	\$ 23,662	\$ 586,413
Jail Facility	10,000,000	variable	5-30-08	5-25-30	9,144,653	855,347	302,000	9,698,000
Total Payable through Courthouse and Jail Maintenance Fund					\$ 9,754,728	\$ 855,347	\$ 325,662	\$ 10,284,413
Total Other Loans Payable					\$ 11,385,412	\$ 855,347	\$ 440,289	\$ 11,800,470
<u>BONDS PAYABLE</u>								
<u>Payable through General Fund</u>								
Fire Trucks	1,250,000	4.5	6-17-09	6-17-29	\$ 1,200,576	\$ 0	\$ 54,689	\$ 1,145,887
Total Payable through General Fund					\$ 1,200,576	\$ 0	\$ 54,689	\$ 1,145,887
<u>Payable through General Debt Service Fund</u>								
Welcome Center	90,000	4.25	10-16-03	10-16-42	\$ 77,800	\$ 0	\$ 1,146	\$ 76,654
USDA - Community Facility	257,200	4.63	5-26-06	5-26-42	220,585	0	15,049	205,536
Total Payable through General Debt Service Fund					\$ 298,385	\$ 0	\$ 16,195	\$ 282,190
<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	\$ 250,000	\$ 0	\$ 250,000	\$ 0
School Bonds, Series 2001	9,000,000	4.7 to 5.5	12-14-00	4-1-11	250,000	0	250,000	0
School Bonds, Series 2002	5,400,000	3 to 4.75	4-11-02	4-11-13	1,775,000	0	575,000	1,200,000
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					\$ 15,075,000	\$ 0	\$ 1,075,000	\$ 14,000,000
Total Bonds Payable					\$ 16,573,961	\$ 0	\$ 1,145,884	\$ 15,428,077

(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 7-1-10	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-11
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>								
<b><u>NOTES PAYABLE</u></b>								
Payable through Solid Waste Disposal Fund								
Landfill Expansion	\$ 700,000	4.21 %	7-16-07	7-16-16	\$ 544,444	\$ 0	\$ 77,778	\$ 466,666
Compactor Rebuild	122,000	1.99	12-10-10	12-10-14	0	122,000	0	122,000
Cell Expansion	829,583	2.97	4-27-11	4-27-14	0	829,583	0	829,583
Total Notes Payable					\$ 544,444	\$ 951,583	\$ 77,778	\$ 1,418,249
<b><u>CAPITAL LEASES PAYABLE</u></b>								
Payable through Solid Waste Disposal Fund								
Trash Compactor	228,650	3.45	11-10-08	12-25-10	\$ 76,187	\$ 0	\$ 76,187	\$ 0
<b><u>OTHER LOANS PAYABLE</u></b>								
Payable through Solid Waste Disposal Fund								
Recycling Center	2,000,000	4.25	12-6-05	12-6-45	\$ 1,932,916	\$ 0	\$ 24,435	\$ 1,908,481

Exhibit K-2

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

GOVERNMENTAL ACTIVITIES

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 750,385	\$ 83,810	\$ 834,195
2013	358,414	58,930	417,344
2014	204,566	35,611	240,177
2015	164,178	28,676	192,854
2016	164,179	22,198	186,377
2017	133,067	15,722	148,789
2018	123,067	10,729	133,796
2019	123,067	8,248	131,315
2020	34,163	1,071	35,234
Total	<u>\$ 2,055,086</u>	<u>\$ 264,995</u>	<u>\$ 2,320,081</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 425,700	\$ 286,919	\$ 66,060	\$ 778,679
2013	444,240	277,406	63,775	785,421
2014	465,900	267,449	61,392	794,741
2015	487,690	256,986	58,892	803,568
2016	510,630	245,991	56,277	812,898
2017	533,710	234,460	53,539	821,709
2018	559,940	222,367	50,678	832,985
2019	585,340	209,652	47,677	842,669
2020	612,910	196,315	44,541	853,766
2021	642,650	182,326	41,258	866,234
2022	672,590	167,625	37,817	878,032
2023	704,720	152,212	34,215	891,147
2024	737,050	136,028	30,442	903,520
2025	737,610	119,047	26,498	883,155
2026	729,390	101,302	21,546	852,238
2027	765,400	82,790	17,680	865,870
2028	693,000	63,365	12,602	768,967
2029	728,000	43,268	8,929	780,197
2030	764,000	22,156	5,070	791,226
Total	<u>\$ 11,800,470</u>	<u>\$ 3,267,664</u>	<u>\$ 738,888</u>	<u>\$ 15,807,022</u>

(Continued)

Exhibit K-2

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

GOVERNMENTAL ACTIVITIES (CONT.)

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	79,489	13,363	92,852
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	8,545	2,754	11,299
2041	3,996	1,993	5,989
2042	4,164	1,062	5,226
2043	2,595	975	3,570
Total	\$ 15,428,077	\$ 4,982,330	\$ 20,410,407

(Continued)

Exhibit K-2

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

BUSINESS-TYPE ACTIVITIES

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 210,621	\$ 44,674	\$ 255,295
2013	210,621	37,850	248,471
2014	763,675	31,029	794,704
2015	77,778	8,186	85,964
2016	77,778	4,911	82,689
2017	77,776	1,637	79,413
Total	\$ 1,418,249	\$ 128,287	\$ 1,546,536

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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
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

(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.)		
	Principal	Interest	Total
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	\$ 1,908,481	\$ 1,714,244	\$ 3,622,725

Exhibit K-3

Smith County, Tennessee  
Schedule of Notes Receivable  
June 30, 2011

<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 6-30-11</u>
General Debt Service Fund	Industrial Development Board of Smith County	\$ 100,000	3-20-07	3-20-17	0%	\$ 60,000
Total						<u>\$ 60,000</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, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Ambulance Service	Operations	\$ 50,000
Courthouse and Jail Maintenance	General	"	357,000
Flooding Repair Projects	Highway/Public Works	Road repairs	863,383
Public Library	General	To close fund	12,328
Public Library	Library Endowment	"	40,284
Farmer's Market Projects	General Debt Service	"	61
Head Start Facilities Projects	General Debt Service	"	31
Fire Department Projects	General	"	6,589
Total Transfers Primary Government			<u>\$ 1,329,676</u>
<u>DISCRETELY PRESENTED SMITH COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 36,997
Total Transfers Discretely Presented Smith County School Department			<u>\$ 36,997</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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 66,702	\$ 100,000	Cincinnati Insurance Company
Road Commissioner:				
Ralph Coble	Section 8-24-102, TCA	37,001	100,000	"
Steve Coble	Section 8-24-102, TCA	26,526	100,000	"
Director of Schools	State Board of Education and Smith County Board of Education	84,702 (1)	100,000	"
Trustee	Section 8-24-102, TCA	57,751	560,800	"
Assessor of Property	Section 8-24-102, TCA	57,751	12,500	"
County Clerk:				
Jimmy Norris (7-1-10 through 8-31-10)	Section 8-24-102, TCA	11,106	50,000	Western Surety Company
Clifa Norris (9-1-10 through 6-30-11)	Section 8-24-102, TCA	46,645	50,000	Cincinnati Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	57,751	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	57,751 (2)	50,000	"
Register	Section 8-24-102, TCA	57,751	25,000	"
Sheriff:				
Ronald Lankford (7-1-10 through 8-31-10)	Section 8-24-102, TCA	12,217	25,000	"
Steve Hopper (9-1-10 through 6-30-11)	Section 8-24-102, TCA	51,310 (3)	25,000	"
Employee Dishonesty Bond Coverage:				
General County and Highway Department Employees			150,000	Local Government Property and Casualty Fund
School Department Employees			250,000	Cincinnati Insurance Company

(1) Includes a \$1,000 chief executive officer training supplement and a \$1,274 contract supplement.  
(2) Does not include \$31,981 of special commissioner fees.  
(3) 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, 2011

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,280,550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 160,037
Trustee's Collections - Prior Year	104,337	0	0	0	0	0	7,322
Circuit/Clerk & Master Collections - Prior Years	64,776	0	0	0	0	0	4,546
Interest and Penalty	19,194	0	0	0	0	0	1,347
Payments in-Lieu-of Taxes - T.V.A.	975	0	0	0	0	0	68
Payments in-Lieu-of Taxes - Local Utilities	176,010	0	0	0	0	0	12,351
Payments in-Lieu-of Taxes - Other	9,696	0	0	0	0	0	578
<u>County Local Option Taxes</u>							
Local Option Sales Tax	700,982	0	0	0	0	0	0
Wheel Tax	0	250,069	0	0	0	0	0
Litigation Tax - General	50,369	17,833	0	0	0	0	0
Litigation Tax - Special Purpose	1,287	0	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	486	40,695	0	0	0	0	0
Business Tax	123,358	0	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0	62,743
<u>Statutory Local Taxes</u>							
Bank Excise Tax	57,333	0	0	0	0	0	4,410
Wholesale Beer Tax	52,775	0	0	0	0	0	0
Interstate Telecommunications Tax	930	0	0	0	0	0	0
Total Local Taxes	\$ 3,643,058	\$ 308,597	\$ 0	\$ 0	\$ 0	\$ 0	\$ 253,402
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	19,292	0	0	0	0	0	0
<u>Permits</u>							
Beer Permits	1,949	0	0	0	0	0	0
Building Permits	27,800	0	0	0	0	0	0
Other Permits	7,350	0	0	0	0	0	0
Total Licenses and Permits	\$ 56,539	\$ 0	\$ 0	\$ 0	\$ 0	\$ 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	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	238 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
Jail Fees	0	878	0	0	0	0	0
Data Entry Fee - Circuit Court	498	0	0	0	0	0	0
Courtroom Security Fee	416	0	0	0	0	0	0
<u>Criminal Court</u>							
Data Entry Fee - Criminal Court	521	0	0	0	0	0	0
Courtroom Security Fee	2,209	0	0	0	0	0	0
<u>General Sessions Court</u>							
Fines	408	0	0	0	0	0	0
Game and Fish Fines	88	0	0	0	0	0	0
Drug Control Fines	1,598	0	0	0	168	0	0
Drug Court Fees	0	0	0	0	18,274	0	0
DUI Treatment Fines	4,190	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,516	0	0	0	0	0	0
Courtroom Security Fee	23,822	0	0	0	0	0	0
<u>Juvenile Court</u>							
Fines	150	0	0	0	0	0	0
Data Entry Fee - Juvenile Court	3,952	0	0	0	0	0	0
<u>Chancery Court</u>							
Officers Costs	1,918	0	0	0	0	0	0
Data Entry Fee - Chancery Court	564	0	0	0	0	0	0
Courtroom Security Fee	0	2,753	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	0	0	1,269	0	0
Other Fines, Forfeitures, and Penalties	8,821	0	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 53,909 \$	\$ 3,631 \$	\$ 0 \$	\$ 0 \$	\$ 19,711 \$	\$ 0 \$	\$ 0
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	\$ 0 \$	\$ 0 \$	\$ 290,000 \$	\$ 0 \$	\$ 0 \$	\$ 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	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constituti- onal Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>							
<u>General Service Charges (Cont.)</u>							
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 965,930	\$ 0	\$ 0	\$ 0
Other General Service Charges	1,200	0	0	0	0	0	0
<u>Fees</u>							
Recreation Fees	17,442	0	0	0	0	0	0
Copy Fees	2,813	0	0	160	0	0	0
Telephone Commissions	19,650	0	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	31,981	0
Data Processing Fee - Register	6,002	0	0	0	0	0	0
Data Processing Fee - Sheriff	4,064	0	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	3,300	0	0	0	0	0	0
Data Processing Fee - County Clerk	56	0	0	0	0	0	0
<u>Education Charges</u>							
Tuition - Other	18,743	0	0	0	0	0	0
<u>Other Charges for Services</u>							
Other Charges for Services	2,599	0	0	0	0	0	0
Total Charges for Current Services	\$ 75,869	\$ 0	\$ 290,000	\$ 966,090	\$ 0	\$ 31,981	\$ 0
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 160,676	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	27,100	2,100	5,262	0	0	0	0
Sale of Materials and Supplies	515	0	0	0	0	0	0
Commissary Sales	1,870	0	0	0	0	0	0
Sale of Gasoline	0	0	0	1,973	0	0	0
Miscellaneous Refunds	43,220	72,336	153	9,720	0	0	23,394
<u>Nonrecurring Items</u>							
Sale of Equipment	11,646	0	0	0	0	0	0
Sale of Property	70	0	0	0	0	0	0
Contributions and Gifts	30,662	0	0	0	0	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	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Other Local Revenues (Cont.)</u>							
<u>Other Local Revenues</u>	\$ 121,774	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,480
<u>Total Other Local Revenues</u>	\$ 397,533	\$ 74,436	\$ 5,415	\$ 11,693	\$ 0	\$ 0	\$ 41,874
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 16,193	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
County Clerk	155,437	0	0	0	0	0	0
Circuit Court Clerk	72,031	0	0	0	0	0	0
General Sessions Court Clerk	140,340	0	0	0	0	0	0
Clerk and Master	65,599	0	0	0	0	0	0
Register	62,899	0	0	0	0	0	0
Sheriff	41,464	0	0	0	0	0	0
Trustee	258,835	0	0	0	0	0	0
<u>Total Fees Received from County Officials</u>	\$ 812,798	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	14,990	0	0	0	0	0	0
On-Behalf Contributions for OPEB	2,977	0	0	0	0	0	0
Other General Government Grants	21,455	0	0	0	0	0	0
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	13,200	0	0	0	0	0	0
Health and Welfare Grants	3,827	0	0	0	0	0	0
Health Department Programs	27,802	0	0	0	0	0	0
<u>Public Works Grants</u>							
Litter Program	7,295	0	0	0	0	0	0
Other State Revenues							
Flood Control							

(Continued)

Exhibit K-6

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

	Special Revenue Funds						
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constituti- onal Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Income Tax	\$ 31,009	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Beer Tax	18,724	0	0	0	0	0	0
Alcoholic Beverage Tax	33,546	0	0	0	0	0	0
Mixed Drink Tax	23	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	454,953	0	0	0	0	0	0
Contracted Prisoner Boarding	0	559,592	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,477,636
Petroleum Special Tax	0	0	0	0	0	0	14,225
Registrar's Salary Supplement	15,164	0	0	0	0	0	0
Other State Grants	11,294	0	0	0	0	0	0
Total State of Tennessee	\$ 665,259	\$ 559,592	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,491,861
<u>Federal Government</u>							
<u>Federal Through State</u>							
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
ARRA Grant No. 2	33,160	0	0	0	0	0	0
Other Federal through State	30,990	0	0	10,719	0	0	0
<u>Direct Federal Revenue</u>							
Police Service (Lake Area)	17,526	0	0	0	0	0	0
Other Direct Federal Revenue	2,600	0	0	0	0	0	0
Total Federal Government	\$ 84,276	\$ 0	\$ 0	\$ 10,719	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 59,450	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Citizens Groups	20,634	0	0	0	0	0	0
Donations	80,084	0	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 5,869,325	\$ 946,256	\$ 295,415	\$ 988,502	\$ 19,711	\$ 31,981	\$ 1,787,137
Total							

(Continued)

Exhibit K-6

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

	Debt Service Funds		Capital Projects Funds				Permanent Fund		Total
	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects	Other Capital Projects	Other Capital Projects	Endowment		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 400,097	\$ 346,752	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,187,436
Trustee's Collections - Prior Year	18,304	15,864	0	0	0	0	0	0	145,827
Circuit/Clerk & Master Collections - Prior Years	11,364	9,849	0	0	0	0	0	0	90,535
Interest and Penalty	3,347	2,919	0	0	0	0	0	0	26,807
Payments in-Lieu-of Taxes - T.V.A.	171	148	0	0	0	0	0	0	1,362
Payments in-Lieu-of Taxes - Local Utilities	30,879	26,762	0	0	0	0	0	0	246,002
Payments in-Lieu-of Taxes - Other	1,445	1,252	0	0	0	0	0	0	12,971
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	489,858	0	0	0	0	0	0	1,190,840
Wheel Tax	0	844,997	0	0	0	0	0	0	1,095,066
Litigation Tax - General	0	0	0	0	0	0	0	0	68,202
Litigation Tax - Special Purpose	0	0	0	0	0	0	0	0	1,287
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0	0	0	41,181
Business Tax	0	0	0	0	0	0	0	0	123,358
Mineral Severance Tax	0	0	0	0	0	0	0	0	62,743
<u>Statutory Local Taxes</u>									
Bank Excise Tax	10,291	8,820	0	0	0	0	0	0	80,854
Wholesale Beer Tax	0	0	0	0	0	0	0	0	52,775
Interstate Telecommunications Tax	0	348	0	0	0	0	0	0	1,278
Total Local Taxes	\$ 475,898	\$ 1,747,569	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,428,524
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	148
Cable TV Franchise	0	0	0	0	0	0	0	0	19,292
<u>Permits</u>									
Beer Permits	0	0	0	0	0	0	0	0	1,949
Building Permits	0	0	0	0	0	0	0	0	27,800
Other Permits	0	0	0	0	0	0	0	0	7,350
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,539

(Continued)

Exhibit K-6

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

	Debt Service Funds			Capital Projects Funds			Permanent Fund			Total
	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects -	Other Capital Projects -	Other Capital Projects -	Endowment			
<u>Fines, Forfeitures, and Penalties</u>										
<u>Circuit Court</u>										
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	238
Jail Fees	0	0	0	0	0	0	0	0	0	878
Data Entry Fee - Circuit Court	0	0	0	0	0	0	0	0	0	498
Courtroom Security Fee	0	0	0	0	0	0	0	0	0	416
<u>Criminal Court</u>										
Data Entry Fee - Criminal Court	0	0	0	0	0	0	0	0	0	521
Courtroom Security Fee	0	0	0	0	0	0	0	0	0	2,209
<u>General Sessions Court</u>										
Fines	0	0	0	0	0	0	0	0	0	408
Game and Fish Fines	0	0	0	0	0	0	0	0	0	88
Drug Control Fines	0	0	0	0	0	0	0	0	0	1,766
Drug Court Fees	0	0	0	0	0	0	0	0	0	18,274
DUI Treatment Fines	0	0	0	0	0	0	0	0	0	4,190
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	0	0	0	4,516
Courtroom Security Fee	0	0	0	0	0	0	0	0	0	23,822
<u>Juvenile Court</u>										
Fines	0	0	0	0	0	0	0	0	0	150
Data Entry Fee - Juvenile Court	0	0	0	0	0	0	0	0	0	3,952
<u>Chancery Court</u>										
Officers Costs	0	0	0	0	0	0	0	0	0	1,918
Data Entry Fee - Chancery Court	0	0	0	0	0	0	0	0	0	564
Courtroom Security Fee	0	0	0	0	0	0	0	0	0	2,753
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	0	0	0	0	0	0	0	0	0	1,269
Other Fines, Forfeitures, and Penalties	0	0	0	0	0	0	0	0	0	8,821
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 77,251
<u>Charges for Current Services</u>										
<u>General Service Charges</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 290,000
Tipping Fees										

(Continued)

Exhibit K-6

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

	Debt Service Funds			Capital Projects Funds			Permanent Fund		Total
	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects	Other Capital Projects	Other Capital Projects	Endowment		
<u>Charges for Current Services (Cont.)</u>									
<u>General Service Charges (Cont.)</u>									
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 965,930
Other General Service Charges	0	0	0	0	0	0	0	0	1,200
<u>Fees</u>									
Recreation Fees	0	0	0	0	0	0	0	0	17,442
Copy Fees	0	0	0	0	0	0	0	0	2,973
Telephone Commissions	0	0	0	0	0	0	0	0	19,650
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0	0	0	31,981
Data Processing Fee - Register	0	0	0	0	0	0	0	0	6,002
Data Processing Fee - Sheriff	0	0	0	0	0	0	0	0	4,064
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	0	0	3,300
Data Processing Fee - County Clerk	0	0	0	0	0	0	0	0	56
<u>Education Charges</u>									
Tuition - Other	0	0	0	0	0	0	0	0	18,743
<u>Other Charges for Services</u>									
Other Charges for Services	0	0	0	0	0	0	0	0	2,599
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,363,940
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	0	0	0	0	0	0	170	0	160,846
Lease/Rentals	110,887	0	0	0	0	0	0	0	145,349
Sale of Materials and Supplies	0	0	0	0	0	0	0	0	515
Commissary Sales	0	0	0	0	0	0	0	0	1,870
Sale of Gasoline	0	0	0	0	0	0	0	0	1,973
Miscellaneous Refunds	1	0	0	0	0	0	2,884	0	151,708
<u>Nonrecurring Items</u>									
Sale of Equipment	0	0	0	0	0	0	0	0	11,646
Sale of Property	0	0	0	0	0	0	0	0	70
Contributions and Gifts	0	0	0	0	8,875	0	0	0	39,537

(Continued)

Exhibit K-6

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

	Debt Service Funds			Capital Projects Funds			Permanent Fund			Total
	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects -	Other Capital Projects -	Other Capital Projects -	Endowment			
<u>Other Local Revenues (Cont.)</u>										
<u>Other Local Revenues</u>	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	140,254	
Total Other Local Revenues	\$ 110,888 \$	0 \$	0 \$	0 \$	8,875 \$	2,884 \$	170 \$		653,768	
<u>Fees Received from County Officials</u>										
<u>Excess Fees</u>										
County Clerk	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	16,193	
<u>Fees in-Lieu-of Salary</u>										
County Clerk	0	0	0	0	0	0	0	0	155,437	
Circuit Court Clerk	0	0	0	0	0	0	0	0	72,031	
General Sessions Court Clerk	0	0	0	0	0	0	0	0	140,340	
Clerk and Master	0	0	0	0	0	0	0	0	65,599	
Register	0	0	0	0	0	0	0	0	62,899	
Sheriff	0	0	0	0	0	0	0	0	41,464	
Trustee	0	0	0	0	0	0	0	0	258,835	
Total Fees Received from County Officials	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	812,798	
<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	14,990	
On-Behalf Contributions for OPEB	0	0	0	0	0	0	0	0	2,977	
Other General Government Grants	0	0	0	0	0	0	0	0	21,455	
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	0	0	0	0	0	0	0	0	13,200	
<u>Health and Welfare Grants</u>										
Health Department Programs	0	0	0	0	0	0	0	0	3,827	
<u>Public Works Grants</u>										
Litter Program	0	0	0	0	0	0	0	0	27,802	
<u>Other State Revenues</u>										
Flood Control	0	0	0	0	0	0	0	0	7,295	

(Continued)

Exhibit K-6

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

	Debt Service Funds			Capital Projects Funds			Permanent Fund		Total
	General Debt Service	Education Debt Service	General Capital Projects	Other Capital Projects -	Other Capital Projects -	Other Capital Projects -	Endowment	Fund	
<u>State of Tennessee (Cont.)</u>									
<u>Other State Revenues (Cont.)</u>									
Income Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,009
Beer Tax	0	0	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	0	0	0	0	0	0	0	0	33,546
Mixed Drink Tax	0	0	0	0	0	0	0	0	23
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	0	0	454,953
Contracted Prisoner Boarding	0	0	0	0	0	0	0	0	559,592
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	0	0	1,477,636
Petroleum Special Tax	0	0	0	0	0	0	0	0	14,225
Registrar's Salary Supplement	0	0	0	0	0	0	0	0	15,164
Other State Grants	0	0	0	0	0	0	0	0	11,294
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,716,712
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 671,306	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 671,306
ARRA Grant No. 2	0	0	0	258,981	0	0	0	0	292,141
Other Federal through State	0	0	401,779	0	0	0	0	0	443,488
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	0	0	0	0	0	0	0	0	17,526
Other Direct Federal Revenue	0	0	0	0	0	57,375	0	0	59,975
Total Federal Government	\$ 671,306	\$ 0	\$ 401,779	\$ 258,981	\$ 57,375	\$ 0	\$ 0	\$ 0	\$ 1,484,436
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 0	\$ 296,000	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 375,450
Citizens Groups	0	0	0	0	0	0	0	0	20,634
Donations	0	0	0	0	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 0	\$ 296,000	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 396,084
Total	\$ 1,258,092	\$ 2,043,569	\$ 421,779	\$ 258,981	\$ 66,250	\$ 2,884	\$ 170	\$ 13,990,052	

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,661,791	\$ 0	\$ 0	\$ 2,661,791
Trustee's Collections - Prior Year	109,741	0	0	109,741
Circuit/Clerk & Master Collections - Prior Years	75,382	0	0	75,382
Interest and Penalty	22,337	0	0	22,337
Payments in-Lieu-of Taxes - T.V.A.	1,135	0	0	1,135
Payments in-Lieu-of Taxes - Local Utilities	204,831	0	0	204,831
Payments in-Lieu-of Taxes - Other	9,582	0	0	9,582
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,309,079	0	0	1,309,079
<u>Statutory Local Taxes</u>				
Bank Excise Tax	66,153	0	0	66,153
Interstate Telecommunications Tax	1,039	0	0	1,039
Total Local Taxes	\$ 4,461,070	\$ 0	\$ 0	\$ 4,461,070
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,733	\$ 0	\$ 0	\$ 1,733
Total Licenses and Permits	\$ 1,733	\$ 0	\$ 0	\$ 1,733
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Summer School	\$ 2,590	\$ 0	\$ 0	\$ 2,590
Lunch Payments - Children	0	0	365,076	365,076
Lunch Payments - Adults	0	0	65,140	65,140
Income from Breakfast	0	0	29,670	29,670
Special Milk Sales	0	0	10,849	10,849
A la carte Sales	0	0	62,756	62,756
Receipts from Individual Schools	25,728	0	611	26,339
Total Charges for Current Services	\$ 28,318	\$ 0	\$ 534,102	\$ 562,420
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 5,196	\$ 0	\$ 1,501	\$ 6,697
Lease/Rentals	3	0	0	3
Sale of Materials and Supplies	982	0	0	982
Refund of Telecommunication and Internet Fees (E-Rate)	22,308	0	0	22,308
Miscellaneous Refunds	33,918	0	23,606	57,524
<u>Nonrecurring Items</u>				
Contributions and Gifts	2,040	0	0	2,040
<u>Other Local Revenues</u>				
Other Local Revenues	225	0	0	225
Total Other Local Revenues	\$ 64,672	\$ 0	\$ 25,107	\$ 89,779

(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</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 80,429	\$ 0	\$ 0	\$ 80,429
<u>State Education Funds</u>				
Basic Education Program	13,841,096	0	0	13,841,096
Basic Education Program - ARRA	1,608,854	0	0	1,608,854
Early Childhood Education	485,838	0	0	485,838
School Food Service	0	0	19,390	19,390
Driver Education	9,573	0	0	9,573
Other State Education Funds	2,293	0	0	2,293
Coordinated School Health - ARRA	99,992	0	0	99,992
Internet Connectivity - ARRA	9,751	0	0	9,751
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	8,264	0	0	8,264
Career Ladder Program	132,436	0	0	132,436
Career Ladder - Extended Contract - ARRA	37,567	0	0	37,567
<u>Other State Revenues</u>				
Other State Grants	0	22,241	0	22,241
Safe Schools - ARRA	19,200	0	0	19,200
Total State of Tennessee	\$ 16,368,593	\$ 22,241	\$ 19,390	\$ 16,410,224
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 755,467	\$ 755,467
USDA - Commodities	0	0	128,701	128,701
Breakfast	0	0	307,059	307,059
USDA - Other	0	0	2,305	2,305
Adult Education State Grant Program	0	66,723	0	66,723
Vocational Education - Basic Grants to States	0	47,954	0	47,954
Title I Grants to Local Education Agencies	0	658,941	0	658,941
Special Education - Grants to States	24,028	854,484	0	878,512
Special Education Preschool Grants	0	19,553	0	19,553
Education for Homeless Children and Youth	0	70	0	70
Eisenhower Professional Development State Grants	0	120,800	0	120,800
Disaster Relief	10,489	0	0	10,489
Race to the Top - ARRA	0	104,367	0	104,367
Other Federal through State	93,239	521,400	0	614,639
Total Federal Government	\$ 127,756	\$ 2,394,292	\$ 1,193,532	\$ 3,715,580
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 11,261	\$ 0	\$ 0	\$ 11,261
Total Other Governments and Citizens Groups	\$ 11,261	\$ 0	\$ 0	\$ 11,261
Total	\$ 21,063,403	\$ 2,416,533	\$ 1,772,131	\$ 25,252,067

Exhibit K-8

Smith County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Other Salaries and Wages	\$	358	
Board and Committee Members Fees		15,775	
Other Per Diem and Fees		5,419	
Social Security		1,213	
Audit Services		5,314	
Dues and Memberships		2,366	
Other Contracted Services		1,130	
Total County Commission			\$ 31,575

Board of Equalization

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

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Salary Supplements		800	
Secretary(ies)		55,144	
Overtime Pay		1,547	
Social Security		9,309	
State Retirement		8,902	
Medical Insurance		2,640	
Communication		4,499	
Dues and Memberships		1,200	
Operating Lease Payments		3,097	
Maintenance and Repair Services - Office Equipment		450	
Travel		967	
Office Supplies		7,528	
Premiums on Corporate Surety Bonds		607	
Data Processing Equipment		5,587	
Office Equipment		942	
Total County Mayor/Executive			169,921

County Attorney

County Official/Administrative Officer	\$	39,139	
Total County Attorney			39,139

Election Commission

County Official/Administrative Officer	\$	53,975	
Clerical Personnel		18,870	
Custodial Personnel		8,670	

(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.)

Part-time Personnel	\$	11,027	
Overtime Pay		5,157	
Election Commission		6,600	
Election Workers		21,125	
Social Security		6,811	
State Retirement		4,164	
Advertising		3,402	
Communication		1,434	
Postal Charges		1,006	
Printing, Stationery, and Forms		4,277	
Rentals		650	
Travel		1,216	
Office Supplies		2,177	
Other Charges		20,432	
Total Election Commission			\$ 170,993

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		49,995	
Data Processing Personnel		4,997	
Social Security		8,162	
State Retirement		7,769	
Communication		1,683	
Dues and Memberships		397	
Operating Lease Payments		3,690	
Office Supplies		3,604	
Premiums on Corporate Surety Bonds		125	
Total Register of Deeds			138,173

Planning

Other Per Diem and Fees	\$	2,250	
Dues and Memberships		9,250	
Total Planning			11,500

Codes Compliance

County Official/Administrative Officer	\$	42,964	
Deputy(ies)		7,612	
Social Security		3,751	
State Retirement		3,098	
Medical Insurance		2,640	

(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.)

Advertising	\$	1,026	
Communication		1,755	
Contracts with Government Agencies		7,690	
Maintenance and Repair Services - Vehicles		524	
Travel		132	
Gasoline		705	
Office Supplies		3,611	
Road Signs		13,998	
Other Charges		113	
Office Equipment		2,144	
Total Codes Compliance			\$ 91,763

County Buildings

Deputy(ies)	\$	107,296	
Overtime Pay		782	
Social Security		8,205	
State Retirement		4,035	
Medical Insurance		5,720	
Communication		5,505	
Contracts with Private Agencies		4,873	
Maintenance and Repair Services - Buildings		52,777	
Maintenance and Repair Services - Equipment		2,043	
Maintenance and Repair Services - Vehicles		1,958	
Rentals		5,469	
Custodial Supplies		3,924	
Gasoline		10,913	
Utilities		203,267	
Other Supplies and Materials		3,611	
Building Improvements		7,000	
Total County Buildings			427,378

Other General Administration

On-Behalf Payments to OPEB	\$	2,977	
Total Other General Administration			2,977

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		49,995	
Social Security		8,221	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

State Retirement	\$	7,916	
Advertising		102	
Communication		1,926	
Contracts with Government Agencies		7,524	
Dues and Memberships		1,200	
Postal Charges		1,230	
Travel		4,000	
Other Contracted Services		9,953	
Office Supplies		1,334	
Premiums on Corporate Surety Bonds		75	
Total Property Assessor's Office			\$ 151,227

Reappraisal Program

Deputy(ies)	\$	13,260	
Social Security		1,005	
Contracts with Government Agencies		2,002	
Total Reappraisal Program			16,267

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		49,987	
Social Security		7,791	
State Retirement		7,768	
Communication		1,114	
Dues and Memberships		397	
Legal Notices, Recording, and Court Costs		198	
Postal Charges		3,188	
Office Supplies		997	
Premiums on Corporate Surety Bonds		2,936	
Data Processing Equipment		5,558	
Office Equipment		415	
Total County Trustee's Office			138,100

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		103,986	
Overtime Pay		2,088	
Social Security		11,752	
State Retirement		11,047	
Medical Insurance		5,280	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Advertising	\$	58	
Communication		946	
Dues and Memberships		497	
Postal Charges		2,600	
Printing, Stationery, and Forms		1,073	
Office Supplies		2,103	
Premiums on Corporate Surety Bonds		650	
Other Charges		20	
Office Equipment		13,139	
Total County Clerk's Office			\$ 212,990

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		121,174	
Jury and Witness Expense		4,750	
Social Security		12,964	
State Retirement		10,229	
Medical Insurance		8,140	
Communication		3,342	
Dues and Memberships		397	
Operating Lease Payments		1,876	
Postal Charges		2,177	
Other Contracted Services		435	
Office Supplies		8,966	
Premiums on Corporate Surety Bonds		900	
Other Charges		100	
Data Processing Equipment		9,660	
Total Circuit Court			242,861

General Sessions Judge

Judge(s)	\$	82,324	
In-Service Training		153	
Social Security		6,272	
State Retirement		5,936	
Communication		1,391	
Travel		652	
Office Supplies		102	
Other Charges		23,866	
Total General Sessions Judge			120,696

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		25,554	
Social Security		6,192	
State Retirement		6,006	
Medical Insurance		2,640	
Communication		1,560	
Dues and Memberships		397	
Operating Lease Payments		763	
Office Supplies		2,130	
Premiums on Corporate Surety Bonds		625	
Data Processing Equipment		2,945	
Total Chancery Court			\$ 106,563

Judicial Commissioners

County Official/Administrative Officer	\$	16,000	
Other Salaries and Wages		1,984	
Social Security		1,375	
Communication		542	
Total Judicial Commissioners			19,901

Other Administration of Justice

Other Charges	\$	3,480	
Total Other Administration of Justice			3,480

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527	
Supervisor/Director		28,567	
Deputy(ies)		257,070	
Detective(s)		39,743	
Captain(s)		42,548	
Lieutenant(s)		98,506	
Sergeant(s)		121,996	
Paraprofessionals		32,684	
Salary Supplements		13,200	
Dispatchers/Radio Operators		110,565	
Guards		51,511	
Clerical Personnel		30,733	
Attendants		65,322	
Maintenance Personnel		16,986	

(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.)

School Resource Officer	\$	54,481	
Overtime Pay		61,040	
Other Salaries and Wages		25,501	
In-Service Training		11,733	
Social Security		85,543	
State Retirement		72,162	
Medical Insurance		25,076	
Communication		20,331	
Confidential Drug Enforcement Payments		34,722	
Dues and Memberships		1,500	
Operating Lease Payments		3,487	
Maintenance and Repair Services - Office Equipment		2,315	
Maintenance and Repair Services - Vehicles		46,850	
Medical and Dental Services		3,300	
Travel		524	
Veterinary Services		50	
Animal Food and Supplies		185	
Gasoline		95,957	
Office Supplies		18,814	
Uniforms		21,874	
Other Supplies and Materials		3,773	
Premiums on Corporate Surety Bonds		475	
Other Charges		2,992	
Law Enforcement Equipment		3,803	
Motor Vehicles		198,171	
Other Equipment		27,337	
Total Sheriff's Department			\$ 1,794,954

Traffic Control

Traffic Control Equipment	\$	1,087	
Total Traffic Control			1,087

Jail

Cafeteria Personnel	\$	21,021	
Social Security		1,608	
State Retirement		501	
Medical and Dental Services		295,577	
Custodial Supplies		11,043	
Food Supplies		84,150	
Other Supplies and Materials		2,721	
Total Jail			416,621

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Correctional Incentive Program Improvements

Deputy(ies)	\$	442,406	
Overtime Pay		28,026	
Other Salaries and Wages		19	
Social Security		34,639	
State Retirement		15,567	
Medical Insurance		17,494	
Total Correctional Incentive Program Improvements			\$ 538,151

Juvenile Services

Youth Service Officer(s)	\$	25,988	
Social Security		2,060	
State Retirement		1,874	
Communication		1,197	
Other Contracted Services		4,000	
Drugs and Medical Supplies		252	
Office Supplies		420	
Other Charges		1,040	
Total Juvenile Services			36,831

Fire Prevention and Control

Deputy(ies)	\$	11,300	
Social Security		842	
Maintenance and Repair Services - Equipment		1,853	
Maintenance and Repair Services - Vehicles		2,116	
Rentals		13,865	
Other Contracted Services		63,350	
Gasoline		5,085	
Office Supplies		100	
Utilities		11,903	
Other Charges		4,477	
Other Equipment		17,891	
Total Fire Prevention and Control			132,782

Rescue Squad

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

Other Emergency Management

Supervisor/Director	\$	16,005	
Social Security		1,224	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Communication	\$	4,376	
Maintenance and Repair Services - Vehicles		1,682	
Other Contracted Services		2,500	
Gasoline		2,946	
Office Supplies		164	
Other Charges		292	
Office Equipment		2,845	
Other Equipment		5,748	
Total Other Emergency Management			\$ 37,782

Inspection and Regulation

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

County Coroner/Medical Examiner

Other Contracted Services	\$	40,000	
Other Supplies and Materials		1,649	
Total County Coroner/Medical Examiner			41,649

Other Public Safety

Deputy(ies)	\$	15,120	
Dispatchers/Radio Operators		170,339	
Longevity Pay		3,107	
Overtime Pay		14,697	
Social Security		14,761	
State Retirement		13,970	
Medical Insurance		7,920	
Total Other Public Safety			239,914

Public Health and Welfare

Local Health Center

Communication	\$	2,248	
Dues and Memberships		200	
Maintenance and Repair Services - Buildings		1,096	
Custodial Supplies		507	
Office Supplies		378	
Utilities		17,176	
Other Charges		4	
Total Local Health Center			21,609

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services

Supervisor/Director	\$	28,027	
Other Salaries and Wages		5,539	
Social Security		2,568	
State Retirement		2,021	
Advertising		75	
Communication		1,039	
Contributions		9,042	
Rentals		1,703	
Instructional Supplies and Materials		396	
Office Supplies		257	
Utilities		7,990	
Other Charges		5,380	
Total Other Local Health Services			\$ 64,037

Appropriation to State

Contracts with Government Agencies	\$	13,772	
Total Appropriation to State			13,772

Other Local Welfare Services

Contributions	\$	10,000	
Total Other Local Welfare Services			10,000

Waste Pickup

Supervisor/Director	\$	11,843	
Social Security		906	
Maintenance and Repair Services - Vehicles		2,765	
Gasoline		2,082	
Instructional Supplies and Materials		2,730	
Other Charges		2,262	
Total Waste Pickup			22,588

Other Public Health and Welfare

Other Salaries and Wages	\$	2,414	
Social Security		185	
Travel		1,317	
Total Other Public Health and Welfare			3,916

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Supervisor/Director	\$	24,440	
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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.)

Senior Citizens Assistance (Cont.)

Other Salaries and Wages	\$	1,305	
Social Security		1,654	
State Retirement		1,762	
Medical Insurance		2,640	
Communication		687	
Travel		1,601	
Office Supplies		1,768	
Utilities		11,041	
Other Supplies and Materials		1,000	
Office Equipment		481	
Total Senior Citizens Assistance			\$ 48,379

Libraries

County Official/Administrative Officer	\$	29,454	
Other Salaries and Wages		25,446	
Social Security		4,200	
State Retirement		846	
Advertising		138	
Audit Services		1,000	
Communication		3,308	
Dues and Memberships		95	
Postal Charges		413	
Travel		453	
Tuition		210	
Custodial Supplies		208	
Data Processing Supplies		1,709	
Library Books/Media		11,687	
Office Supplies		1,438	
Utilities		2,100	
Other Supplies and Materials		2,429	
Office Equipment		1,000	
Total Libraries			86,134

Parks and Fair Boards

Communication	\$	774	
Other Supplies and Materials		1,246	
Other Charges		10,523	
Building Improvements		45,068	
Other Equipment		7,000	
Total Parks and Fair Boards			64,611

(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.)

Other Social, Cultural, and Recreational

Sand	\$	344	
Other Supplies and Materials		3,490	
Site Development		7,969	
Total Other Social, Cultural, and Recreational			\$ 11,803

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	28,591	
Secretary(ies)		6,877	
Social Security		2,420	
State Retirement		4,016	
Communication		3,159	
Rentals		7,140	
Other Charges		3,500	
Total Agriculture Extension Service			55,703

Soil Conservation

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

Other Agriculture and Natural Resources

Maintenance and Repair Services - Buildings	\$	106,958	
Custodial Supplies		876	
Utilities		24,411	
Refunds		200	
Other Charges		1,277	
Total Other Agriculture and Natural Resources			133,722

Other Operations

Tourism

Contributions	\$	300	
Total Tourism			300

Industrial Development

Dues and Memberships	\$	20	
Office Supplies		696	
Other Charges		1,000	
Total Industrial Development			1,716

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

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

Veterans' Services

Supervisor/Director	\$ 9,148	
Social Security	700	
Communication	339	
Travel	610	
Office Supplies	276	
Total Veterans' Services		11,073

Other Charges

Building and Contents Insurance	\$ 34,725	
Liability Insurance	44,184	
Vehicle and Equipment Insurance	38,604	
Workers' Compensation Insurance	77,640	
Other Charges	9,025	
Total Other Charges		204,178

Employee Benefits

Longevity Pay	\$ 18,241	
Social Security	1,410	
State Retirement	1,310	
Life Insurance	5,345	
Unemployment Compensation	19,288	
Total Employee Benefits		45,594

ARRA Grant No. 2

Building Construction	\$ 33,160	
Total ARRA Grant No. 2		33,160

Miscellaneous

Contributions	\$ 36,809	
Dues and Memberships	2,750	
Trustee's Commission	70,177	
Other Charges	83,478	
Total Miscellaneous		193,214

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Principal on Debt

General Government

Principal on Bonds	\$ 54,689	
Principal on Notes	91,759	
Total General Government		\$ 146,448

Interest on Debt

General Government

Interest on Bonds	\$ 54,457	
Interest on Notes	8,379	
Total General Government		62,836

Total General Fund \$ 6,648,619

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Custodial Personnel	\$ 12,400	
Social Security	888	
Medical Insurance	1,749	
Maintenance and Repair Services - Buildings	11,100	
Total County Buildings		\$ 26,137

Other Operations

Miscellaneous

Trustee's Commission	\$ 3,137	
Total Miscellaneous		3,137

Principal on Debt

General Government

Principal on Other Loans	\$ 325,662	
Total General Government		325,662

Interest on Debt

General Government

Interest on Other Loans	\$ 304,396	
Total General Government		304,396

Other Debt Service

General Government

Other Debt Service	\$ 39,157	
Total General Government		39,157

(Continued)

Exhibit K-8

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

Courthouse and Jail Maintenance Fund (Cont.)

Capital Projects

Administration of Justice Projects

Engineering Services	\$	32,277	
Other Charges		124,050	
Building Construction		784,671	
Total Administration of Justice Projects			\$ 940,998

Total Courthouse and Jail Maintenance Fund \$ 1,639,487

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Overtime Pay	\$	870	
Other Salaries and Wages		58,355	
Social Security		4,183	
State Retirement		3,904	
Medical Insurance		3,080	
Communication		552	
Maintenance and Repair Services - Equipment		13,149	
Gasoline		34,527	
Other Supplies and Materials		65	
Total Waste Pickup			\$ 118,685

Convenience Centers

Other Salaries and Wages	\$	146,035	
Social Security		11,172	
Communication		3,322	
Maintenance and Repair Services - Buildings		671	
Maintenance and Repair Services - Equipment		784	
Rentals		5,895	
Utilities		5,937	
Other Supplies and Materials		2,174	
Site Development		4,900	
Other Equipment		251	
Total Convenience Centers			181,141

Other Waste Disposal

Trustee's Commission	\$	53	
Total Other Waste Disposal			53

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Employee Benefits

Longevity Pay	\$	603	
Social Security		46	
State Retirement		43	
Total Employee Benefits			\$ 692

Total Solid Waste/Sanitation Fund \$ 300,571

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Medical Personnel	\$	490,198	
Longevity Pay		4,976	
Overtime Pay		155,803	
In-Service Training		6,653	
Social Security		47,822	
State Retirement		36,439	
Medical Insurance		16,185	
Communication		14,571	
Laundry Service		2,892	
Operating Lease Payments		2,564	
Licenses		2,050	
Maintenance and Repair Services - Equipment		3,097	
Maintenance and Repair Services - Vehicles		20,227	
Medical and Dental Services		298	
Printing, Stationery, and Forms		152	
Custodial Supplies		3,228	
Drugs and Medical Supplies		40,700	
Gasoline		58,445	
Office Supplies		4,205	
Uniforms		5,377	
Utilities		18,859	
Other Supplies and Materials		15,700	
Building and Contents Insurance		1,250	
Liability Insurance		1,200	
Premiums on Corporate Surety Bonds		200	
Refunds		3,336	
Trustee's Commission		9,360	
Vehicle and Equipment Insurance		3,962	
Workers' Compensation Insurance		61,516	
Other Charges		447	

(Continued)

Exhibit K-8

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

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Building Improvements	\$	4,721	
Data Processing Equipment		6,500	
Motor Vehicles		75,450	
Other Equipment		60,000	
Total Ambulance/Emergency Medical Services			\$ 1,178,383

Interest on Debt

General Government

Interest on Notes	\$	3,099	
Total General Government			3,099

Total Ambulance Service Fund \$ 1,181,482

Drug Control Fund

Public Safety

Sheriff's Department

Instructional Supplies and Materials	\$	4,445	
Other Charges		4,989	
Law Enforcement Equipment		8,300	
Total Sheriff's Department			\$ 17,734

Drug Enforcement

Trustee's Commission	\$	193	
Total Drug Enforcement			193

Total Drug Control Fund 17,927

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	31,981	
Total Chancery Court			\$ 31,981

Total Constitutional Officers - Fees Fund 31,981

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Accountants/Bookkeepers		34,549	

(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.)

Overtime Pay	\$	1,305	
Other Salaries and Wages		33,724	
Advertising		429	
Communication		6,559	
Data Processing Services		5,585	
Dues and Memberships		3,452	
Maintenance and Repair Services - Office Equipment		489	
Medical and Dental Services		528	
Postal Charges		308	
Printing, Stationery, and Forms		255	
Electricity		5,318	
Natural Gas		3,404	
Office Supplies		3,734	
Water and Sewer		439	
Other Charges		3,680	
Data Processing Equipment		130	
Total Administration			\$ 167,415

Highway and Bridge Maintenance

Foremen	\$	31,758	
Equipment Operators		147,334	
Truck Drivers		90,606	
Laborers		213,513	
Overtime Pay		2,987	
Other Contracted Services		85,994	
Asphalt - Cold Mix		203,464	
Asphalt - Liquid		192,223	
Concrete		6,232	
Crushed Stone		255,220	
Other Road Supplies		2,470	
Pipe		53,108	
Road Signs		2,111	
Salt		16,264	
Wood Products		6,578	
Other Charges		1,807	
Total Highway and Bridge Maintenance			1,311,669

Operation and Maintenance of Equipment

Mechanic(s)	\$	59,944
Overtime Pay		569

(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.)

Freight Expenses	\$	199	
Maintenance and Repair Services - Equipment		958	
Tow-in Services		75	
Custodial Supplies		4,557	
Diesel Fuel		100,322	
Equipment and Machinery Parts		67,801	
Garage Supplies		2,983	
Gasoline		47,890	
Lubricants		9,829	
Small Tools		2,412	
Tires and Tubes		19,629	
Vehicle Parts		19,156	
Other Supplies and Materials		1,563	
Total Operation and Maintenance of Equipment			\$ 337,887

Other Charges

Contributions	\$	100	
Building and Contents Insurance		1,555	
Liability Insurance		3,363	
Trustee's Commission		19,218	
Vehicle and Equipment Insurance		12,354	
Workers' Compensation Insurance		45,239	
Total Other Charges			81,829

Employee Benefits

Social Security	\$	52,286	
State Retirement		44,090	
Employee and Dependent Insurance		254,722	
Unemployment Compensation		7,794	
Total Employee Benefits			358,892

Capital Outlay

Building Improvements	\$	960	
Highway Equipment		72,175	
Motor Vehicles		2,475	
Total Capital Outlay			75,610

Principal on Debt

Highways and Streets

Principal on Notes	\$	51,651	
Total Highways and Streets			51,651

(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	\$ 1,318	
Total Highways and Streets		\$ 1,318

Total Highway/Public Works Fund \$ 2,386,271

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 16,195	
Principal on Notes	939,010	
Principal on Other Loans	114,627	
Total General Government		\$ 1,069,832

Interest on Debt

General Government

Interest on Bonds	\$ 14,891	
Interest on Notes	90,279	
Interest on Other Loans	6,407	
Total General Government		111,577

Other Debt Service

General Government

Trustee's Commission	\$ 9,890	
Other Debt Service	10,160	
Total General Government		20,050

Total General Debt Service Fund 1,201,459

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 1,075,000	
Total Education		\$ 1,075,000

Interest on Debt

Education

Interest on Bonds	\$ 746,838	
Total Education		746,838

(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	\$	765	
Trustee's Commission		21,147	
Total Education		<u>21,912</u>	\$ 21,912

Total Education Debt Service Fund \$ 1,843,750

General Capital Projects Fund

Capital Projects

Other General Government Projects

Engineering Services	\$	20,924	
Building Construction		211,075	
Total Other General Government Projects		<u>231,999</u>	\$ 231,999

Total General Capital Projects Fund 231,999

EMS Building Projects

Other Operations

ARRA Grant No. 2

Building Construction	\$	258,981	
Total ARRA Grant No. 2		<u>258,981</u>	\$ 258,981

Capital Projects

Public Safety Projects

Engineering Services	\$	5,044	
Other Charges		14,470	
Building Construction		96,143	
Total Public Safety Projects		<u>115,657</u>	115,657

Total EMS Building Projects Fund 374,638

Emergency Watershed Protection Projects Fund

General Government

County Buildings

Other Charges	\$	2,500	
Total County Buildings		<u>2,500</u>	\$ 2,500

Other Operations

Miscellaneous

Site Development	\$	63,750	
Total Miscellaneous		<u>63,750</u>	63,750

Total Emergency Watershed Protection Projects Fund 66,250

(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	\$	<u>2,884</u>	
Total Miscellaneous			\$ <u>2,884</u>
Total Flooding Repair Projects Fund			\$ <u>2,884</u>
Total Governmental Funds - Primary Government			\$ <u>15,927,318</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, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 6,697,603	
Career Ladder Program	81,835	
Career Ladder Extended Contracts	19,124	
Educational Assistants	281,198	
Other Salaries and Wages	461	
Certified Substitute Teachers	37,720	
Non-certified Substitute Teachers	51,048	
Social Security	420,138	
State Retirement	628,774	
Medical Insurance	1,177,957	
Unemployment Compensation	9,175	
Employer Medicare	98,874	
Maintenance and Repair Services - Equipment	13,232	
Other Contracted Services	12,474	
Instructional Supplies and Materials	145,752	
Textbooks	142,653	
Other Supplies and Materials	16,178	
Fee Waivers	20,157	
Other Charges	2,355	
Regular Instruction Equipment	144,405	
Total Regular Instruction Program		\$ 10,001,113

Alternative Instruction Program

Teachers	\$ 41,404	
Career Ladder Program	1,000	
Career Ladder Extended Contracts	2,545	
Social Security	2,766	
State Retirement	4,068	
Medical Insurance	5,627	
Unemployment Compensation	39	
Employer Medicare	647	
Other Supplies and Materials	194	
Total Alternative Instruction Program		58,290

Special Education Program

Teachers	\$ 794,102	
Career Ladder Program	8,000	
Career Ladder Extended Contracts	2,000	
Educational Assistants	70,229	

(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	\$	37,687	
Other Salaries and Wages		614	
Certified Substitute Teachers		4,238	
Non-certified Substitute Teachers		4,290	
Social Security		54,254	
State Retirement		79,180	
Medical Insurance		153,975	
Unemployment Compensation		1,232	
Employer Medicare		12,689	
Other Contracted Services		4,764	
Other Charges		1,768	
Special Education Equipment		6,100	
Total Special Education Program	\$		1,235,122

Vocational Education Program

Teachers	\$	496,163	
Career Ladder Program		4,000	
Certified Substitute Teachers		3,090	
Non-certified Substitute Teachers		5,100	
Social Security		29,937	
State Retirement		45,238	
Medical Insurance		93,232	
Unemployment Compensation		610	
Employer Medicare		7,007	
Maintenance and Repair Services - Equipment		1,342	
Instructional Supplies and Materials		12,632	
Other Charges		639	
Total Vocational Education Program			698,990

Support Services

Attendance

Supervisor/Director	\$	45,850	
Social Workers		34,059	
Social Security		4,623	
State Retirement		7,232	
Medical Insurance		15,249	
Unemployment Compensation		79	
Employer Medicare		1,081	
Travel		1,881	

(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.)

Other Contracted Services	\$	8,780	
Other Supplies and Materials		309	
Attendance Equipment		8,477	
Total Attendance			\$ 127,620

Health Services

Supervisor/Director	\$	48,500	
Medical Personnel		74,876	
Social Security		6,986	
State Retirement		11,166	
Medical Insurance		25,504	
Unemployment Compensation		120	
Employer Medicare		1,634	
Travel		9,256	
Drugs and Medical Supplies		982	
Other Supplies and Materials		34,388	
Health Equipment		864	
Total Health Services			214,276

Other Student Support

Career Ladder Program	\$	4,800	
Guidance Personnel		263,935	
Career Ladder Extended Contracts		4,154	
Other Salaries and Wages		12,239	
Social Security		16,562	
State Retirement		25,527	
Medical Insurance		49,499	
Unemployment Compensation		270	
Employer Medicare		3,874	
Contracts with Government Agencies		59,313	
Evaluation and Testing		64,937	
Other Supplies and Materials		6,193	
Other Charges		345	
Total Other Student Support			511,648

Regular Instruction Program

Supervisor/Director	\$	87,949	
Career Ladder Program		5,000	
Librarians		223,290	

(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 (Cont.)

Instructional Computer Personnel	\$	96,414	
In-Service Training		350	
Social Security		24,614	
State Retirement		34,777	
Medical Insurance		53,509	
Unemployment Compensation		402	
Employer Medicare		5,812	
Travel		22,768	
Other Contracted Services		1,000	
Library Books/Media		3,193	
Other Supplies and Materials		1,798	
In Service/Staff Development		9,020	
Other Charges		62	
Other Equipment		1,042	
Total Regular Instruction Program			\$ 571,000

Special Education Program

Supervisor/Director	\$	57,347	
Career Ladder Program		1,000	
Psychological Personnel		44,874	
Social Security		6,265	
State Retirement		9,341	
Medical Insurance		17,283	
Unemployment Compensation		79	
Employer Medicare		1,465	
Communication		367	
Travel		9,735	
Other Supplies and Materials		2,280	
In Service/Staff Development		1,204	
Total Special Education Program			151,240

Vocational Education Program

Supervisor/Director	\$	54,987	
Clerical Personnel		339	
Social Security		3,430	
State Retirement		5,001	
Medical Insurance		5,657	
Unemployment Compensation		39	
Employer Medicare		802	

(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	\$	1,824	
Other Supplies and Materials		993	
Total Vocational Education Program			\$ 73,072

Other Programs

On-Behalf Payments to OPEB	\$	80,429	
Total Other Programs			80,429

Board of Education

Secretary to Board	\$	1,274	
Board and Committee Members Fees		11,360	
Social Security		783	
State Retirement		115	
Medical Insurance		113	
Unemployment Compensation		67	
Employer Medicare		183	
Contracts with Government Agencies		3,626	
Contracts with Private Agencies		6,985	
Dues and Memberships		7,908	
Legal Services		53,166	
Other Contracted Services		2,996	
Liability Insurance		23,720	
Premiums on Corporate Surety Bonds		320	
Trustee's Commission		100,293	
Workers' Compensation Insurance		90,462	
Refund to Applicant for Criminal Investigation		4,416	
Other Charges		4,683	
Total Board of Education			312,470

Director of Schools

County Official/Administrative Officer	\$	82,428	
Career Ladder Program		1,000	
Social Security		5,127	
State Retirement		7,550	
Medical Insurance		6,279	
Unemployment Compensation		42	
Employer Medicare		1,199	
Communication		46,093	
Dues and Memberships		1,493	

(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.)

Travel	\$	4,469	
Other Charges		666	
Total Director of Schools			\$ 156,346

Office of the Principal

Principals	\$	545,802	
Career Ladder Program		8,600	
Accountants/Bookkeepers		102,184	
Career Ladder Extended Contracts		5,591	
Assistant Principals		192,267	
Clerical Personnel		89,177	
Social Security		54,414	
State Retirement		78,250	
Medical Insurance		95,141	
Unemployment Compensation		1,052	
Employer Medicare		13,161	
Communication		1,069	
Dues and Memberships		3,125	
Other Contracted Services		1,000	
Other Charges		1,917	
Administration Equipment		3,444	
Total Office of the Principal			1,196,194

Fiscal Services

Accountants/Bookkeepers	\$	126,141	
Clerical Personnel		40,361	
Social Security		10,202	
State Retirement		12,005	
Medical Insurance		25,731	
Unemployment Compensation		224	
Employer Medicare		2,386	
Data Processing Services		8,990	
Maintenance and Repair Services - Office Equipment		6,158	
Travel		683	
Office Supplies		10,982	
Other Charges		786	
Administration Equipment		10,335	
Total Fiscal Services			254,984

(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	\$	351,760	
Other Salaries and Wages		18,771	
Social Security		22,554	
State Retirement		21,350	
Medical Insurance		1,519	
Unemployment Compensation		1,093	
Employer Medicare		5,275	
Contracts with Government Agencies		5,070	
Contracts with Private Agencies		16,910	
Maintenance and Repair Services - Equipment		6,967	
Pest Control		2,800	
Other Contracted Services		2,640	
Custodial Supplies		48,671	
Electricity		856,042	
Natural Gas		88,329	
Water and Sewer		64,576	
Other Supplies and Materials		9,760	
Boiler Insurance		1,272	
Building and Contents Insurance		45,484	
Other Charges		97	
Plant Operation Equipment		23,817	
Total Operation of Plant			\$ 1,594,757

Maintenance of Plant

Supervisor/Director	\$	57,785	
Maintenance Personnel		138,083	
Other Salaries and Wages		27,865	
Social Security		13,626	
State Retirement		16,700	
Medical Insurance		28,971	
Unemployment Compensation		333	
Employer Medicare		3,241	
Laundry Service		3,337	
Maintenance and Repair Services - Buildings		15,428	
Maintenance and Repair Services - Equipment		63,760	
Other Contracted Services		18,960	
Other Supplies and Materials		37,843	
Maintenance Equipment		2,000	
Total Maintenance of Plant			427,932

(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	\$	38,987	
Mechanic(s)		88,963	
Bus Drivers		421,610	
Other Salaries and Wages		14,594	
Social Security		32,390	
State Retirement		35,720	
Medical Insurance		29,606	
Unemployment Compensation		1,567	
Employer Medicare		8,042	
Communication		1,651	
Contracts with Government Agencies		1,380	
Contracts with Private Agencies		7,308	
Contracts with Parents		1,230	
Laundry Service		2,661	
Maintenance and Repair Services - Equipment		61	
Maintenance and Repair Services - Vehicles		544	
Medical and Dental Services		1,965	
Tow-in Services		972	
Travel		960	
Diesel Fuel		136,710	
Garage Supplies		1,473	
Gasoline		22,713	
Lubricants		8,330	
Tires and Tubes		17,749	
Vehicle Parts		89,160	
Gravel and Chert		3,826	
Other Supplies and Materials		2,076	
Vehicle and Equipment Insurance		30,953	
Other Charges		228	
Administration Equipment		1,542	
Transportation Equipment		145,443	
Total Transportation			\$ 1,150,414

Operation of Non-Instructional Services

Food Service

Career Ladder Program	\$	1,000
Social Security		62
State Retirement		91
Unemployment Compensation		3

(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.)

Employer Medicare	\$ 14	
Total Food Service		\$ 1,170

Community Services

Supervisor/Director	\$ 33,077	
Other Salaries and Wages	270	
Social Security	2,034	
State Retirement	3,018	
Medical Insurance	5,913	
Unemployment Compensation	42	
Employer Medicare	476	
Travel	978	
Other Supplies and Materials	1,294	
Other Charges	428	
Total Community Services		47,530

Early Childhood Education

Supervisor/Director	\$ 35,287	
Teachers	194,537	
Educational Assistants	59,824	
Certified Substitute Teachers	1,035	
Non-certified Substitute Teachers	2,341	
Social Security	17,669	
State Retirement	24,683	
Medical Insurance	37,946	
Unemployment Compensation	428	
Employer Medicare	4,132	
Travel	2,078	
Instructional Supplies and Materials	31,030	
Other Supplies and Materials	31,545	
In Service/Staff Development	175	
Other Charges	196	
Other Equipment	31,614	
Total Early Childhood Education		474,520

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 20,069
Site Development	78,718

(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.)

Other Capital Outlay	\$ 8,330	
Total Regular Capital Outlay		\$ 107,117

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 296,000	
Total Education		<u>296,000</u>

Total General Purpose School Fund		\$ 19,742,234
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 676,300	
Educational Assistants	85,749	
Certified Substitute Teachers	4,136	
Non-certified Substitute Teachers	4,817	
Social Security	48,456	
State Retirement	64,596	
Medical Insurance	125,064	
Unemployment Compensation	562	
Employer Medicare	10,917	
Maintenance and Repair Services - Equipment	16,979	
Other Contracted Services	39,556	
Instructional Supplies and Materials	57,878	
Regular Instruction Equipment	<u>156,885</u>	
Total Regular Instruction Program		\$ 1,291,895

Special Education Program

Teachers	\$ 65,000	
Educational Assistants	331,684	
Speech Pathologist	90,988	
Certified Substitute Teachers	4,133	
Non-certified Substitute Teachers	7,039	
Social Security	29,900	
State Retirement	36,119	
Medical Insurance	24,491	
Unemployment Compensation	1,169	
Employer Medicare	6,998	

(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.)

Contracts with Private Agencies	\$	79,381	
Other Contracted Services		1,934	
Instructional Supplies and Materials		3,860	
Other Supplies and Materials		15,667	
Special Education Equipment		56,265	
Total Special Education Program			\$ 754,628

Vocational Education Program

Instructional Supplies and Materials	\$	1,759	
Vocational Instruction Equipment		34,548	
Total Vocational Education Program			36,307

Adult Education Program

Teachers	\$	10,576	
Social Security		809	
State Retirement		96	
Unemployment Compensation		58	
Employer Medicare		158	
Instructional Supplies and Materials		807	
Other Equipment		2,826	
Total Adult Education Program			15,330

Support Services

Other Student Support

Bus Drivers	\$	450	
Other Salaries and Wages		2,858	
Social Security		267	
State Retirement		338	
Unemployment Compensation		5	
Employer Medicare		63	
Contracts with Government Agencies		137	
Travel		14,087	
Other Contracted Services		5,616	
In Service/Staff Development		3,873	
Other Charges		5,688	
Total Other Student Support			33,382

Regular Instruction Program

Supervisor/Director	\$	56,665	
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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	\$	2,111	
Social Security		3,633	
State Retirement		5,333	
Medical Insurance		5,657	
Unemployment Compensation		40	
Employer Medicare		849	
Travel		3,987	
Other Supplies and Materials		7,143	
In Service/Staff Development		52,078	
Other Charges		474	
Other Equipment		6,280	
Total Regular Instruction Program	\$		144,250

Special Education Program

Assessment Personnel	\$	11,700	
Clerical Personnel		20,636	
Social Security		1,263	
State Retirement		1,488	
Medical Insurance		16,970	
Unemployment Compensation		62	
Employer Medicare		457	
Travel		13,120	
Other Supplies and Materials		5,014	
In Service/Staff Development		7,318	
Total Special Education Program			78,028

Adult Programs

Supervisor/Director	\$	36,956	
Other Salaries and Wages		19,866	
Social Security		3,545	
State Retirement		5,162	
Medical Insurance		5,657	
Unemployment Compensation		62	
Employer Medicare		829	
Communication		855	
Maintenance and Repair Services - Equipment		329	
Travel		857	
In Service/Staff Development		1,727	
Other Charges		44	
Total Adult Programs			75,889

(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.)

Transportation

Bus Drivers	\$	21,610	
Social Security		1,339	
State Retirement		1,558	
Unemployment Compensation		52	
Employer Medicare		313	
Contracts with Parents		7,014	
Transportation Equipment		28,000	
Total Transportation			\$ 59,886

Total School Federal Projects Fund \$ 2,489,595

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	48,388
Accountants/Bookkeepers		34,095
Cafeteria Personnel		550,907
Other Salaries and Wages		16,073
Social Security		39,870
State Retirement		43,536
Medical Insurance		11,669
Unemployment Compensation		450
Employer Medicare		9,347
Communication		2,117
Legal Notices, Recording, and Court Costs		50
Maintenance and Repair Services - Equipment		9,350
Pest Control		3,240
Printing, Stationery, and Forms		1,440
Travel		3,195
Other Contracted Services		12,593
Data Processing Supplies		1,896
Equipment and Machinery Parts		6,772
Food Supplies		685,420
Office Supplies		1,457
Uniforms		2,209
USDA - Commodities		128,701
Other Supplies and Materials		58,677
In Service/Staff Development		2,616
Refund to Applicant for Criminal Investigation		336

(Continued)

Exhibit K-9

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

<u>Central Cafeteria Fund (Cont.)</u>			
<u>Operation of Non-Instructional Services (Cont.)</u>			
<u>Food Service (Cont.)</u>			
Food Service Equipment	\$	<u>56,353</u>	
Total Food Service			\$ <u>1,730,757</u>
 Total Central Cafeteria Fund			 \$ <u>1,730,757</u>
 Total Governmental Funds - Smith County School Department			 \$ <u><u>23,962,586</u></u>

Exhibit K-10

Smith County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2011

	Major Enterprise Fund
	Solid Waste Disposal Fund
<hr/>	
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Licenses and Permits</u>	
Other Permits	\$ 1,260
<u>Charges for Current Services</u>	
Tipping Fees	1,127,696
Total Operating Revenues	<u>\$ 1,128,956</u>
<u>Nonoperating Revenues</u>	
<u>Recurring Items</u>	
Sale of Recycled Materials	\$ 33,675
Miscellaneous Refunds	924
<u>Nonrecurring Items</u>	
Grants	9,955
Total Nonoperating Revenue	<u>\$ 44,554</u>
Total Revenues	<u><u>\$ 1,173,510</u></u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Other Waste Collection</u>	
Other Contracted Services	\$ 14,259
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	41,469
Salary Supplements	400
Longevity Pay	1,400
Overtime Pay	1,624
Other Salaries and Wages	200,152
In-Service Training	500
Social Security	18,541
State Retirement	17,216
Medical Insurance	1,100
Advertising	112
Communication	4,353
Contracts with Private Agencies	905
Engineering Services	75,007

(Continued)

Exhibit K-10

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

	Major Enterprise Fund
	Solid Waste Disposal Fund
<hr/>	
<u>Expenses (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance (Cont.)</u>	
Maintenance and Repair Services	\$ 42,704
Travel	200
Other Contracted Services	68,458
Gasoline	123,935
Office Supplies	550
Utilities	7,683
Other Supplies and Materials	40,158
Building and Contents Insurance	2,008
Liability Insurance	450
Trustee's Commission	14,386
Vehicle and Equipment Insurance	4,763
Worker's Compensation Insurance	50,686
Depreciation	185,957
Other Charges	13,095
Other Equipment	6,219
Total Operating Expenses	<u>\$ 938,290</u>
<u>Nonoperating Expenses</u>	
Interest on Notes	\$ 22,495
Interest on Capital Leases	2,671
Interest on Other Loans	81,885
Loss on Disposal of Property	16,095
Total Nonoperating Expenses	<u>\$ 123,146</u>
Total Expenses	<u>\$ 1,061,436</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, 2011

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,098,049
<u>Cash Disbursements</u>	
Trustee's Commission	\$ 10,980
Remittance of Revenues Collected	1,087,069
Total Cash Disbursements	<u>\$ 1,098,049</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
Cash Balance, June 30, 2011	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841

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

January 31, 2012

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, 2011, which collectively comprise Smith County's basic financial statements and have issued our report thereon dated January 31, 2012. Our report includes a reference to other auditors. Our opinion 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, 2011. 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, 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: 11.02, 11.06(A), and 11.15.

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: 11.03, 11.04(A), 11.05, 11.07, 11.12, 11.13, and 11.14.

### 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 11.01, 11.04(B), 11.06(B), 11.08, 11.09, 11.10, and 11.11.

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 prominent initial "J" and "W".

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841

REPORT ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

January 31, 2012

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 Schedule of Expenditures of Federal Awards of Smith County, Tennessee, for the year ended June 30, 2011. The schedule is the responsibility of Smith County's management. Our responsibility is to express an opinion on the Smith County's Schedule of Expenditures of Federal Awards based on our audit.

We conducted our audit 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 the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

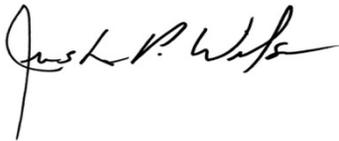
In our opinion, the Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards of Smith County in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, 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.

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, road commissioner, director of schools, Board of County Commissioners, Board of Education, other within Smith County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
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PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 31, 2012

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### 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 11.05 and 11.16. 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.

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 large initial "J" and "W".

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Smith County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Emergency Watershed Protection Program	10.923	N/A	\$ 57,375
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	307,059
National School Lunch Program	10.555	N/A	757,772 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	128,701 (3)
Total U.S. Department of Agriculture			<u>\$ 1,250,907</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)	14.255	GG-10-29406-00	\$ 292,141
U.S. Department of Labor:			
Passed through the Upper Cumberland Human Resource Agency:			
WIA Dislocated Workers	17.260	N/A	\$ 2,246
Workforce Investment Act (WIA) National Emergency Grants	17.277	N/A	11,209
Total U.S. Department of Labor			<u>\$ 13,455</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-8000(20)	\$ 401,779
State and Community Highway Safety	20.600	(2)	23,254
Total U.S. Department of Transportation			<u>\$ 425,033</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 68,415
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title 1 Grants to Local Educational Agencies	84.010	N/A	564,142
Title 1 Grants to Local Educational Agencies, Recovery Act	84.389	N/A	147,569
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	687,430
Special Education - Preschool Grants	84.173	N/A	19,652
Special Education - Grants to States, Recovery Act	84.391	N/A	225,319
Special Education - Preschool Grants, Recovery Act	84.392	N/A	104
Career and Technical Education - Basic Grants to States	84.048	N/A	48,273
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	137
Twenty-first Century Community Learning Centers	84.287	N/A	66,677
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	2,677
Education Technology State Grants, Recovery Act	84.386	(2)	10,130

(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	\$ 141,066
Education for Homeless Children and Youth, Recovery Act	84.387	N/A	2,350
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	1,608,854
State Fiscal Stabilization Fund - Government Services Recovery Act	84.397	(4)	208,074
State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top			
Incentive Grants, Recovery Act	84.395	N/A	104,051
Education Jobs Fund	84.410	N/A	506,500
Total U.S. Department of Education			\$ 4,411,420
U.S. Election Assistance Commission:			
Passed through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 5,000
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	(2)	\$ 26,562
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 681,795
Total Expenditures of Federal Awards			\$ 7,106,313
		Contract Number	
<u>State Grants</u>			
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 14,990
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	9,000
Tennessee Agricultural Enhancement Program - State Department of Agriculture	N/A	(2)	21,455
Health Department Programs - State Department of Health	N/A	(2)	3,827
Law Enforcement Training - State Department of Safety	N/A	(2)	13,200
Litter Program - State Department of Transportation	N/A	(2)	27,802
Rural Library Laptop Labs - Tennessee Secretary of State	N/A	(2)	11,294
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-213022-00	9,955
Pilot and Voluntary State Funded Classrooms Grant - State Department of Education	N/A	MX11AAX	485,838
ConnecTenn Grant - State Department of Education	N/A	(2)	1,789
Adult Education - State Department of Labor and Workforce	N/A	(2)	22,805
Total State Grants			\$ 621,955

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 \$886,473.
- (4) Coordinated School Health (\$99,992), Internet Connectivity (\$9,751), Family Resource Center (\$33,300), Statewide Student Management Systems (\$8,264), Career Ladder - Extended Contract (\$37,567), Safe Schools (\$19,200).

Smith County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2011

*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, 2010, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
10.01	187	Smith County did not account for American Recovery and Reinvestment Act (ARRA) Grants separately from other county funds
10.02	188	Smith County did not determine and report the fair value of a derivative instrument in accordance with generally accepted accounting principles
10.03	189	Material audit adjustments were required for proper financial statement presentation of several funds and capital asset records
10.04(C)	190	The Solid Waste Disposal Fund had a deficit in unrestricted net assets
10.06	192	The office had deficiencies in purchasing procedures

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

Finding Number	Page Number	Subject
10.13	196	The office did not deposit some funds within three days of collection
10.14	197	The execution docket trial balances did not reconcile with general ledger accounts

**OFFICES OF COUNTY MAYOR, ROAD COMMISSIONER, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, REGISTER, AND SHERIFF**

Finding Number	Page Number	Subject
10.16	198	Duties were not segregated adequately

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**SMITH COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2011**

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**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 two instances of noncompliance that were material to the financial statements of Smith County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed 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 Highway Planning and Construction Program (CFDA No. 20.205); 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); 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); the Education Jobs Program (CFDA No. 84.410); and the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program (CFDA No. 97.036) 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, director of schools, and circuit and general sessions courts clerk are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### OFFICE OF COUNTY MAYOR

#### FINDING 11.01      **SMITH COUNTY DID NOT DETERMINE AND REPORT THE FAIR VALUE OF A DERIVATIVE INSTRUMENT IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under *Government Auditing Standards*)

Smith County did not determine and report the fair value of a derivative instrument held by the county at June 30, 2011, 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, 2011, Smith County had not determined the fair value of its derivative instrument, which resulted in the governmental activities financial statements not being fairly presented in compliance with generally accepted accounting principles. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

### 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

After the 2010 audit, Smith County requested the Tennessee Municipal Bond Fund do a report of fair value of the derivative on the \$10,000,000 loan. This report was received; however, auditors responded that the report was not from a third-party. Smith County then made another request with the Tennessee Municipal Bond Fund. Smith County received this report on September 15, 2011, from Bank of America/Merrill Lynch; however, auditors again stated this report was still not from a third-party. Smith County has contacted PFM Asset Management LLC in Philadelphia, Pennsylvania, for a third-party review. The cost of this third-party review is \$2,300, which will have to be approved by the Smith County Commission in March 2012. After approval, PFM Asset Management LLC and Smith County will enter into a contract to complete the review.

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FINDING 11.02      **THE GENERAL AND SOLID WASTE DISPOSAL FUNDS AND THE CAPITAL ASSET RECORDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, general ledger account balances of the General and Solid Waste Disposal funds and the capital asset records 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 and capital asset records are materially correct.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

Smith County will enter into an agreement with a local accounting firm to help maintain correct general ledger account balances in the future.

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**FINDING 11.03      THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Solid Waste Disposal Fund had a deficit of \$2,163,710 in unrestricted net assets at June 30, 2011. This deficit resulted from the recognition of a liability of \$2,783,959 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. This deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

County officials should develop and implement a plan that would fund the deficit in unrestricted net assets.

**MANAGEMENT’S RESPONSE – COUNTY MAYOR**

Smith County will enter into an agreement with a local accounting firm to meet the requirement that such costs be reflected in the financial statements.

**AUDITOR’S COMMENT**

Officials should develop a plan that would fund the deficit.

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**FINDING 11.04      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 the finding 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. Also, 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. 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 requires all purchases to have a purchase order prior to purchase; however, some purchases were made without a purchase order. Smith County will make an effort to correct this finding.
- B. Smith County would have to install fuel tanks to alleviate this finding, and Smith County does not have the resources to do this at this time.

#### AUDITOR'S COMMENT

- B. This finding would not be corrected by the installation of fuel tanks. The office should solicit competitive bids for the purchase of fuel as required by state statute.

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**FINDING 11.05 SMITH COUNTY 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 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. This deficiency exists due to the failure of management 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 ARRA revenues and expenditures in the financial statements in this report.

## RECOMMENDATION

Smith County 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

ARRA funds require that Smith County place expenditures and revenues under special codes for ARRA funds only. These codes were used on an Excel spreadsheet located in a paper file in the County Mayor's Office but were not entered into the Local Government System. This cannot be corrected, and Smith County will have to refer to the document found in the paper file.

## AUDITOR'S COMMENT

The software utilized by the office utilizes the County Uniform Chart of Accounts approved by the Comptroller of the Treasury. This chart of accounts includes separate revenue and expenditure codes to account for ARRA funds, and the software also allows the user to designate transactions into cost centers within codes to properly separate ARRA funds from other revenues and expenditures if a specific code is not available.

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## OFFICE OF DIRECTOR OF SCHOOLS

FINDING 11.06      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**  
(A. – Internal Control – Material Weakness Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations. These deficiencies can be attributed to the failure of management to adequately monitor and review budget procedures.

- A.     The General Purpose School Fund's estimated fund balance at July 1, 2010, exceeded the actual beginning fund balance presented to the County Commission by \$1,767,333. Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. This deficiency is due to management's failure to properly estimate the actual ending fund balance for June 30, 2010, and resulted in materially overstating the estimated beginning fund balance.
  
- B.     Expenditures exceeded appropriations approved by the County Commission in the Early Childhood Education major appropriation category (the legal level of control) of the General Purpose School Fund by \$7,531. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs

of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

### RECOMMENDATION

Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount. Expenditures should be held within appropriations approved by the County Commission.

### MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

- A. We have reviewed the records and found that the figures listed as estimated 2009-10 were totally inconsistent with school records and the audit. The figures shown do not reflect accurate amounts and are approximately \$1,770,000 overstated in fund balance due to the incorrect numbers in revenues and expenditures for that year. The actual figures should have reflected an ending balance for FY 2010 of \$2,839,228. As a result of this error being identified, we will review all columns of the budget proposal to insure accuracy in the future.
- B. The original budget was estimated on the prior year, and the final allocation did not arrive until late November. There was an oversight in not requesting a budget amendment for the additional dollars received. Due to not requesting a budget amendment, it appeared that funds were spent in excess of available revenue. In the future, we will monitor this more closely.

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### OFFICE OF COUNTY CLERK

#### FINDING 11.07      **THE OFFICE DID NOT REVIEW ITS SOFTWARE AUDIT LOGS** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The software applications used by the office generated daily logs that displayed changes made by users. These logs provide the only audit trail of these changes and should be reviewed daily for inappropriate activity. Since management was not aware of their importance, the official did not begin reviewing the logs until after we brought it to their attention several months into the fiscal year. Procedures for reviewing these logs were implemented in March 2011.

### RECOMMENDATION

Management should ensure that audit logs are reviewed on a routine basis.

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

### **FINDING 11.08     **A CASH SHORTAGE OF \$75,012.61 EXISTED IN THE GENERAL SESSIONS COURT AND \$995 IN CIRCUIT COURT ON SEPTEMBER 27, 2011****

(Material Noncompliance Under *Government Auditing Standards*)

On September 26, 2011, as a result of the bank alerting the circuit court clerk that her bank account would be overdrawn, the clerk informed our office of suspected irregularities with deposits in General Sessions Court. We compared receipts with deposits from July 1, 2010, through September 30, 2011, in both Circuit and General Sessions Courts. Our procedures identified a cash shortage of \$75,012.61 in General Sessions Court and \$995 in Circuit Court on September 27, 2011. These amounts include receipts collected but not deposited totaling \$64,995.36 in General Sessions Court and \$995 in Circuit Court plus receipts voided without supporting documentation of \$10,017.25 in General Sessions Court. Checks and money orders totaling \$35,596.63 and \$662 were deposited in General Sessions and Circuit Courts, on September 28, 2011 and September 30, 2011, respectively, which reduced the cash shortage to \$39,415.98 in General Sessions Court and \$333 in Circuit Court on September 30, 2011.

Our investigation revealed significant delays in depositing daily collections into the circuit and general session's courts clerk's official bank accounts. Office records reflected that as many as 141 days lapsed between the date some funds were collected and the date the funds were deposited. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days of collecting funds. Also, sound business practice dictates that all collections be deposited daily to minimize the risk of fraud and abuse. The delay in depositing funds allows large amounts of cash and checks to accumulate in the office.

We determined that office collections from November 19, 2010, through September 28, 2011, totaling \$64,995.36 and \$995 had not been deposited to the General Sessions and Circuit Courts respective official bank accounts.

We were advised that deputy clerk Susan Garcia was responsible for making bank deposits for General Sessions Court and often made deposits for Circuit Court. On September 28, 2011, Ms. Garcia advised the Tennessee Bureau of Investigation and us that she had taken cash and checks from deposits of General Sessions Court and one deposit from Circuit Court. She advised that she used the cash for personal use. Ms. Garcia would delay making deposits until cash from current collections could be used to complete the deposit with the checks and money orders from previous days.

Furthermore, we determined through a review of all receipts voided by Ms. Garcia, that for the period July 1, 2010, through September 30, 2011, at least \$10,017.25 of receipts had been voided with no documentation to support the voided transaction. In many instances, the fees due had been adjusted or eliminated. These changes were not supported by case files or rule docket entries. This amount has been included in the cash shortage.

Ms. Garcia remitted checks and money orders totaling \$36,258.63, which was subsequently deposited to General Sessions Court (\$35,596.63) and Circuit Court (\$662) on September 28, 2011, and September 30, 2011, respectively. These checks and money orders had been kept by Ms. Garcia out of the office.

The following table details the cash shortage as well as the subsequent deposit of checks and money orders:

Court	Deposit Date	Amount Deposited	Total of Receipts	Cash Shortage	
				Sessions	Circuit
Sessions	11-19-10	\$ 9,592.39	\$ 9,598.39	\$ 6.00	\$ 0.00
Sessions	1-5-11	13,957.89	14,057.89	100.00	0.00
Sessions	1-11-11	5,555.89	5,565.89	10.00	0.00
Sessions	7-1-11	15,077.30	15,677.30	600.00	0.00
Sessions	8-1-11	0.00	16,701.51	16,701.51	0.00
Sessions	8-9-11	0.00	13,035.70	13,035.70	0.00
Sessions	8-17-11	0.00	16,568.69	16,568.69	0.00
Sessions	8-24-11	0.00	9,193.36	9,193.36	0.00
Sessions	8-26-11	0.00	8,680.10	8,680.10	0.00
Sessions	9-8-11	4,773.02	4,873.02	100.00	0.00
Circuit	9-20-11	0.00	995.00	0.00	995.00
Total Cash Shortage from Receipts				\$ 64,995.36	\$ 995.00
Less: Sessions Checks/Money Orders Deposited 9-28-11				\$ (35,596.63)	\$ 0.00
Less: Circuit Checks/Money Orders Deposited 9-30-11				0.00	(662.00)
				\$ 29,398.73	\$ 333.00
Add: Cash Shortage from General Sessions voided receipts				10,017.25	0.00
Cash Shortage Balance, September 30,2011				\$ 39,415.98	\$ 333.00

On December 5, 2011, Susan Garcia was arraigned on charges of theft.

RECOMMENDATION

County officials should take steps to collect the \$39,748.98 remaining cash shortage. All collections should be deposited within three days of collection as required by state statute. Any variances in daily deposits compared with collections should be investigated, and any errors noted should be corrected promptly. All voided receipts should be supported by appropriate documentation including case files and rule dockets.

MANAGEMENT’S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK

This office has implemented changes concerning the deposits made by the General Sessions and Circuit Courts. I have now put into place a policy that dictates that the person responsible for making the deposits verifies with the clerk or another deputy clerk that the amount to be deposited matches with the system. Afterwards, another employee that did not make the actual deposit takes it to the bank and then comes back and verifies that the

bank stamped the deposit slip. We will also attempt to make deposits on a daily basis or at least within two days. Periodic verifications of voided receipts will now be made and verified that they were legitimate voids.

#### MANAGEMENT'S RESPONSE – COUNTY MAYOR

The County Mayor's Office will work with the circuit and general sessions courts clerk by helping implement policies and procedures to avoid any future mishandling of funds and to maintain control of the funds in accordance with proper accounting procedures.

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#### FINDING 11.09      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS** (Noncompliance Under *Government Auditing Standards*)

At June 30, 2011, 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 \$3,972 and \$3,606, 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.

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#### FINDING 11.10      **UNCLAIMED FUNDS WERE NOT REPORTED AND PAID TO THE STATE** (Noncompliance Under *Government Auditing Standards*)

The clerk did not report and pay to the state unclaimed funds (old outstanding checks) totaling \$8,405. At June 30, 2011, Circuit Court had 12 outstanding checks issued before July 1, 2010, totaling \$5,064, and General Sessions Court had 51 outstanding checks totaling \$3,341. The Unclaimed Property Act, Section 66-29-101, et seq., *Tennessee Code Annotated*, provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. This statute further provides for the funds to be reported and paid to the state Treasurer's Office. This deficiency in internal controls was the result of a lack of management oversight.

RECOMMENDATION

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

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FINDING 11.11      **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**  
(Noncompliance Under *Government Auditing Standards*)

In some instances, the 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. This deficiency is the result of the failure of management to correct the finding noted in the prior-year audit report. The delay in depositing the 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.

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FINDING 11.12      **THE CLERK DID NOT POST SHORT-TERM INVESTMENT ACCOUNT ACTIVITY TO THE ACCOUNTING RECORDS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

During the year examined, the clerk did not post short-term investment account activity to the general ledger and did not attempt to reconcile the bank statement balances of these short-term investment accounts with general ledger totals. As a result of not properly posting the activity of these accounts, the general ledger short-term investment account reflected on the accounting records of Circuit Court was overstated by \$73,781 at June 30, 2011. Sound business practices dictate that accounting records accurately reflect account and bank statement activity. We confirmed the balances of the short-term investment accounts held by the clerk and presented adjustments to the clerk for approval and posting. Therefore, the short-term investment accounts have been properly presented in the financial statements of this report.

RECOMMENDATION

Short-term investment account activity should be posted properly to the accounting records. Also, bank statements for these short-term investment accounts should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly.

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**OFFICES OF TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

**FINDING 11.13**      **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency in internal controls was the result of a lack of management oversight over risks related to safeguarding assets.

**RECOMMENDATION**

Officials should assign each employee their own cash drawer.

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**OFFICES OF COUNTY MAYOR, ROAD COMMISSIONER, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

**FINDING 11.14**      **DUTIES WERE NOT SEGREGATED ADEQUATELY**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Road Commissioner, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. 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 has put into place many procedures and adopted policies to make this better but will have to revisit this with other procedures to separate the duties so that it reduces the opportunity for unauthorized transactions.

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SMITH COUNTY

FINDING 11.15      **SMITH COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Smith County has a material audit finding that has been reported in its Annual Financial Reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
11.02, 10.03, 09.01	Smith County had several funds that required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, *Tennessee Code Annotated (TCA)*, encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under *Government Auditing Standards*. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Smith County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Smith County may be required to establish an Audit Committee under the provisions of Section 9-3-405, *TCA*.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

Smith County will establish an Audit Committee and will make adjustments prior to year end so that this finding does not occur again.

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**BEST PRACTICE**

**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. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice and would significantly improve accountability and the quality of services provided to the citizens of Smith County. Therefore, 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.

**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 Housing and Urban Development: Passed-through State Department of Economic and Community Development: Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)	11.16	14.255	Circular A-133, Section 500 (c)(3)	Significant Deficiency in Internal Control - See Finding 11.05 - ARRA grant funds were not accounted for separately from other county funds	\$ 0

**SMITH COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2011**

There were audit findings relative to federal awards presented in the prior- and the current-year's Schedules of Findings and Questioned Costs.

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

**FINDINGS 11.05 and 11.16**

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: 2011-12

**County Mayor – Summary Schedule of Prior-Year's Findings**

**FINDINGS 10.01 and 10.17**

The county mayor corrected the posting of the ARRA grant funds from the prior year; however, the same finding was noted for a different grant in the current year.

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

**FINDINGS 10.01 and 10.17**

The School Department used cost centers within their accounting records to separate ARRA funds from county funds.