



STATE OF TENNESSEE  
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DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT

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Division of Municipal Audit

January 10, 2011

Honorable Mayor and Members of the  
Board of Aldermen  
City of Smithville  
104 East Main Street  
Smithville, TN 38344

Mayor and Members of the Board of Aldermen:

We have concluded our investigative audit of selected records of the City of Smithville. The purpose of the investigative audit was to address specific allegations primarily related to the city's golf course and swimming pool operations. This investigative audit focused on the period July 1, 2009, through June 30, 2010. However, when warranted, this scope was expanded.

In August 2008, the City of Smithville entered into a five-year agreement with a private company, Smithville Golf Management, LLC [SGM], to operate the Smithville Municipal Golf and Swim Club [golf course and swimming pool]. The duties and responsibilities for both the city and SGM were detailed in a written contract. However, our investigative audit established that the city had improperly assumed some of the financial burdens that, according to the written contract, were the responsibility of SGM.

**City payment for SGM obligations**

Our investigative audit identified four city checks, totaling \$4,871, issued to pay for city swimming pool operation costs that were apparently obligations of SGM.

- Two city checks, each in the amount of \$680, dated April 17, 2009, and April 17, 2010, respectfully, were issued to the Tennessee Department of Health for swimming pool licensing fees. Although both checks had signatures for the mayor and city treasurer, the mayor advised state auditors that he had not signed the April 2010 check. The city treasurer acknowledged to state auditors that, without permission, he had signed the mayor's name to the April 2010 check.
- A city check in the amount of \$2,511 dated June 14, 2010, bearing only the signature of the city treasurer was issued to an insurance company for a liability policy related to the city swimming pool.

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- A city check in the amount of \$1,000 dated June 17, 2010, bearing only the signature of the city treasurer was issued directly to Smithville Golf Management for swimming pool start-up expenses.

The city treasurer told state auditors that the \$1,000 payment to SGM was to cover beginning inventory for the concession stand, lifeguard pay, and other expenses related to opening the swimming pool at the start of the summer season. He stated that he issued the checks to Smithville Golf Management and to the insurance company because SGM was having financial difficulties and would not have opened the swimming pool for the summer season without financial assistance.

### **SGM water usage not metered**

Our investigative audit also determined that the water account for the city swimming pool was classified as inactive from September 2008 through July 2010. As a result, the water meter was not read and SGM was not billed for any water usage during that period. When asked about the failure to bill SGM for almost two years, the treasurer told state auditors that he was responsible for that decision. On or about July 29, 2010, the city billed SGM \$2,702, the city's calculation for previously unbilled and unpaid water usage related to the use of the swimming pool.

The contract between the City of Smithville and Smithville Golf Management LLC, states:

The Tenant [Smithville Golf Management] herein agrees to pay all utilities for said facility, except the Landlord [City of Smithville] will maintain the tennis courts, the nets and fence, as well as pay the electric bill for the tennis court lights. The Tenant shall be responsible for providing all water to the facility, except the landlord agrees to fill the swimming pool once a year and provide the necessary chemicals for start up each year. The Tenant will be responsible for all fees and charges associated with the operation of the facility, including but not limited to any fees to the Tennessee Department of Health....

The Tenant herein shall provide at his sole expense public liability insurance....

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The Tenant shall be responsible for the Smithville Swimming Pool, same to include the hiring of certified lifeguards during all hours of operation....

We noted that in August 2010, the Smithville Golf Management gave 60-day notice to city officials that it would terminate its agreement with the city.

If you have any questions concerning the above, please contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dennis F. Dycus". The signature is fluid and cursive, with a large initial "D" and "F".

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit

DFD/RAD