

ANNUAL FINANCIAL REPORT
JEFFERSON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
JEFFERSON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

BRYAN W. BURKLIN, CPA, CGFM
Auditor 4

LESLIE LANDRETH
JOEY BARNARD
DOUG SANDIDGE, CISA
State Auditors

This financial report is available at www.comptroller.state.tn.us

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Audit Highlights

Annual Financial Report
Jefferson County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of Jefferson County as of and for the year ended June 30, 2005.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY MAYOR

- ◆ In several instances, the office issued purchase orders after purchases were made.
- ◆ Competitive bids were not solicited for the purchase of a vehicle and target kits for the Sheriff's Department, and they were not solicited for computers for the libraries.
- ◆ Actual fund balances exceeded estimated beginning fund balances by material amounts in the General Fund and the General Debt Service Fund.
- ◆ Drug Control Fund expenditures exceeded appropriations approved by the County Commission by \$7,239.

OFFICE OF SANITATION SUPERVISOR

- ◆ Solid Waste Disposal Fund accounts receivable subsidiary records were not properly maintained and reconciled with the general ledger.
 - ◆ In several instances, the office issued purchase orders after purchases were made.
 - ◆ The Solid Waste/Sanitation Fund's actual fund balance exceeded the estimated beginning fund balance by a material amount.
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee, Clerk and Master, Circuit and General Sessions Courts Clerk, and Sheriff.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ The Solid Waste Disposal Fund had a net assets deficit of \$403,669 at June 30, 2005.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Jefferson County Officials

June 30, 2005

Officials:

Gary Holiway, County Mayor
Charles Tipton, Road Superintendent
Douglas Moody, Director of Schools
Ginger Franklin, Trustee
Robert Cavanah, Assessor of Property
R. E. Farrar, III, County Clerk
Kathy Carpenter, Circuit and General Sessions Courts Clerk
Nancy Humbard, Clerk and Master
Sarah Webb, Register
David Davenport, Sheriff

Board of County Commissioners:

Gary Holiway, Chairperson	W.D. Henry
James Jarnigan, Vice Chairperson	Sarah Hubbard
Kenneth Arnold	Larry Masters
Randall Baxley	Tommy Musick
Robert Beeler	Herbert Norton
Steven Chambers	Virgil Patterson
Frank Clamon	Barbara Sheets
Dale Cox	Nina Snodgrass
Larry Etherton	Max E. Stiner, Sr.
Donald Finchum	Harold Taylor
Thomas Gentry	William B. Watkins, Jr.

Board of Education:

Greg Sharpe, Chairperson	Anne Marie Potts
Emily Fox, Vice Chairperson	Bill Powell
David Lockhart	John Neal Scarlett
Michael Phagan	

Highway Commission:

John Turner, Chairperson	James Garrett
Doug Quarles, Vice Chairperson	George W. Loy, Jr.
Condon Batson	James Snodderly
Paul Condry	

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

December 13, 2005

Jefferson County Mayor and
Board of County Commissioners
Jefferson 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 Jefferson County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Jefferson County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jefferson 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 Jefferson County Nursing Home (which represent 8.4 percent and 13.9 percent, respectively, of the assets and revenues of the aggregate discretely presented component units) and the Jefferson County Emergency Communications District (which represent 1.2 percent and 1.5 percent, respectively, of the assets and revenues of the aggregate discretely presented component units). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Jefferson County Nursing Home and the Jefferson County Emergency Communications District, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the

accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, Tennessee, as of June 30, 2005, 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 December 13, 2005, on our consideration of Jefferson 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., Jefferson County has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2005. For the first time, Jefferson County has presented government-wide financial statements.

Also, as described in Note V.B., Jefferson County has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

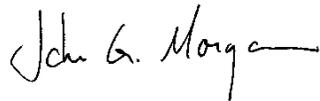
The management of Jefferson County did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 81 through 87 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Jefferson County School

Department (a discretely presented component unit), miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Jefferson County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Jefferson County, Tennessee
Statement of Net Assets
June 30, 2005

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home	Emergency Communications District
<u>ASSETS</u>						
Cash and Equivalents	\$ 176,982	\$ 25	\$ 177,007	\$ 15,364	\$ 332,692	\$ 173,741
Equity in Pooled Cash and Investments	12,675,300	183,693	12,858,993	4,730,695	0	0
Inventories	0	0	0	0	20,667	0
Accounts Receivable	318,668	48,523	367,191	25,002	910,612	69,539
Due from Other Governments	358,692	0	358,692	1,220,675	0	0
Internal Balances	(40,518)	40,518	0	0	0	0
Prepaid Items	0	0	0	0	28,005	13,533
Accrued Interest Receivable	0	0	0	0	80	0
Investment in Joint Venture	1,658,608	0	1,658,608	0	0	0
Property Taxes Receivable	10,643,419	0	10,643,419	5,785,700	0	0
Allowance for Uncollectible Property Taxes	(204,970)	0	(204,970)	(114,672)	0	0
Unamortized Debt Issuance Cost	99,000	0	99,000	0	0	0
Restricted Assets						
Other Restricted Assets	0	0	0	0	22,767	0
Capital Assets						
Assets Not Depreciated:						
Land	1,159,625	461,930	1,621,555	536,841	53,832	0
Construction in Progress	2,061,249	0	2,061,249	621,526	0	0
Assets Net of Accumulated Depreciation:						
Landfill Facilities and Development	0	186,155	186,155	0	0	0
Buildings and Improvements	1,452,980	109,903	1,562,883	17,817,807	0	0
Machinery and Equipment	2,266,772	577,364	2,844,136	384,382	0	0
Other Capital Assets	0	0	0	1,285,797	1,626,328	175,189
Infrastructure -Roads, Streets, and Bridges	85,418,299	0	85,418,299	0	0	0
Total Assets	\$ 118,044,106	\$ 1,608,111	\$ 119,652,217	\$ 32,309,117	\$ 2,994,983	\$ 432,002

(Continued)

Exhibit A

Jefferson County, Tennessee
Statement of Net Assets (Cont.)

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Jefferson County School Department	Jefferson County Nursing Home	Emergency Communica- tions District
<u>LIABILITIES</u>						
Accounts Payable	\$ 119,978	\$ 26,547	\$ 146,525	\$ 303,678	\$ 206,179	\$ 5,428
Accrued Payroll	26,667	6,202	32,869	0	323,230	12,025
Accrued Interest Payable	108,809	0	108,809	0	1,750	0
Payroll Deductions Payable	15,104	137	15,241	1,487,853	13,465	0
Contracts Payable	589,334	0	589,334	0	0	0
Due to the State of Tennessee	12,810	0	12,810	0	0	0
Other Current Liabilities	1,880	0	1,880	0	0	64,678
Deferred Revenue - Property Taxes	10,091,153	0	10,091,153	5,427,175	0	0
Noncurrent Liabilities:						
Due Within One Year	1,322,887	77,449	1,400,336	370,986	140,000	0
Due in More than One Year	27,051,671	1,901,445	28,953,116	405,289	0	0
Total Liabilities	<u>\$ 39,340,293</u>	<u>\$ 2,011,780</u>	<u>\$ 41,352,073</u>	<u>\$ 7,994,981</u>	<u>\$ 684,624</u>	<u>\$ 82,131</u>
<u>NET ASSETS</u>						
Invested in Capital Assets, net of related debt	\$ 92,056,687	\$ 0	\$ 92,056,687	\$ 0	\$ 1,540,160	\$ 0
Invested in Capital Assets Restricted for:	0	1,335,352	1,335,352	20,646,353	0	175,189
Highways	986,588	0	986,588	0	0	0
Debt Service	6,853,129	0	6,853,129	0	0	0
Capital Projects	269,042	0	269,042	0	0	0
Other Purposes	1,118,489	0	1,118,489	574,346	18,067	0
Unrestricted	<u>(22,580,122)</u>	<u>(1,739,021)</u>	<u>(24,319,143)</u>	<u>3,093,437</u>	<u>752,132</u>	<u>174,682</u>
Total Net Assets	<u>\$ 78,703,813</u>	<u>\$ (403,669)</u>	<u>\$ 78,300,144</u>	<u>\$ 24,314,136</u>	<u>\$ 2,310,359</u>	<u>\$ 349,871</u>

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

Exhibit B

Jefferson County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2005

Functions/Programs	Expenses	Net (Expense) Revenues and Changes in Net Assets								
		Program Revenues			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activity	Total	Jefferson County School Department	Jefferson County Nursing Home	Emergency Communica-tions District
Primary Government:										
Governmental Activities:										
General Government	\$ 1,815,694	\$ 728,188	\$ 16,380	\$ 0	\$ (1,071,126)	\$ 0	\$ (1,071,126)	\$ 0	\$ 0	\$ 0
Finance	713,880	1,008,409	0	0	294,529	0	294,529	0	0	0
Administration of Justice	796,053	595,249	17,054	0	(183,750)	0	(183,750)	0	0	0
Public Safety	3,978,074	491,604	238,644	0	(3,247,826)	0	(3,247,826)	0	0	0
Public Health and Welfare	4,893,456	2,884,264	159,814	320,993	(1,528,385)	0	(1,528,385)	0	0	0
Social, Cultural, and Recreational Services	583,410	49,253	156,511	13,942	(363,704)	0	(363,704)	0	0	0
Agricultural and Natural Resources	105,655	0	18,827	0	(86,828)	0	(86,828)	0	0	0
Other Operations	513,054	0	0	0	(513,054)	0	(513,054)	0	0	0
Highways	4,296,210	123,480	1,674,088	1,595,249	(903,393)	0	(903,393)	0	0	0
Debt Service:										
Interest on Long-term Debt	992,664	0	0	0	(992,664)	0	(992,664)	0	0	0
Other Debt Service	35,842	0	0	0	(35,842)	0	(35,842)	0	0	0
Total Governmental Activities	\$ 18,723,992	\$ 5,880,447	\$ 2,281,318	\$ 1,930,184	\$ (8,632,043)	\$ 0	\$ (8,632,043)	\$ 0	\$ 0	\$ 0
Business-type Activities:										
Solid Waste/Disposal	\$ 1,187,839	\$ 1,077,636	\$ 2,140	\$ 0	\$ 0	\$ (108,063)	\$ (108,063)	\$ 0	\$ 0	\$ 0
Total Business-type Activity	\$ 1,187,839	\$ 1,077,636	\$ 2,140	\$ 0	\$ 0	\$ (108,063)	\$ (108,063)	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 19,911,831	\$ 6,958,083	\$ 2,283,458	\$ 1,930,184	\$ (8,632,043)	\$ (108,063)	\$ (8,740,106)	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit B

Jefferson County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units		
					Governmental Activities	Business-type Activity	Total	Jefferson County School Department	Jefferson County Nursing Home	Emergency Communications District
Component Units:										
Jefferson County School Department	\$ 43,817,222	\$ 1,491,333	\$ 5,148,720	\$ 0	\$ 0	\$ 0	\$ 0	\$ (37,177,169)	\$ 0	\$ 0
Jefferson County Nursing Home	6,596,445	7,186,678	0	0	0	0	0	0	590,233	0
Emergency Communications District	765,000	418,022	0	0	0	0	0	0	0	(346,978)
Total Component Units	\$ 51,178,667	\$ 9,096,033	\$ 5,148,720	\$ 0	\$ 0	\$ 0	\$ 0	\$ (37,177,169)	\$ 590,233	\$ (346,978)
General Revenues:										
Property Taxes				\$ 8,912,291	\$ 0	\$ 8,912,291	\$ 5,256,724	\$ 0	\$ 0	
Sales Taxes				0	0	0	4,134,471	0	0	
Other Taxes				1,805,561	0	1,805,561	12,720	0	0	
Grants and Contributions not restricted to specific programs				32,912	0	32,912	27,544,961	4,001	328,000	
Unrestricted Investment Income				366,420	0	366,420	9,196	3,267	824	
Gain from Reduction in Estimate of Landfill										
Postclosure Care Cost				0	68,396	68,396	0	0	0	
Gain on Sale/Disposal of Capital Assets				1,500	0	1,500	0	0	0	
Miscellaneous				25,657	0	25,657	87,136	0	3,049	
Transfers				100,000	(100,000)	0	0	0	0	
Total General Revenues and Transfers				\$ 11,244,341	\$ (31,604)	\$ 11,212,737	\$ 37,045,208	\$ 7,268	\$ 331,873	
Change in Net Assets				\$ 2,612,298	\$ (139,667)	\$ 2,472,631	\$ (131,961)	\$ 597,501	\$ (15,105)	
Net Assets (Deficit), July 1, 2004				76,091,515	(264,002)	75,827,513	24,446,097	1,712,858	364,976	
Net Assets (Deficit), June 30, 2005				\$ 78,703,813	\$ (403,669)	\$ 78,300,144	\$ 24,314,136	\$ 2,310,359	\$ 349,871	

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

Exhibit C-1

Jefferson County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 11,891	\$ 0	\$ 0	\$ 0	\$ 165,091	\$ 176,982
Equity in Pooled Cash and Investments	3,449,803	609,782	801,734	6,917,828	880,244	12,659,391
Accounts Receivable	304,140	1,537	10,863	1,366	762	318,668
Due from Other Governments	68,666	0	290,026	0	0	358,692
Due from Other Funds	540	0	0	0	0	540
Property Taxes Receivable	5,738,080	1,261,369	1,432,820	1,940,371	270,779	10,643,419
Allowance for Uncollectible Property Taxes	(113,213)	(26,088)	(27,939)	(32,035)	(5,695)	(204,970)
Total Assets	\$ 9,459,907	\$ 1,846,600	\$ 2,507,504	\$ 8,827,530	\$ 1,311,181	\$ 23,952,722
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 45,505	\$ 1,560	\$ 69,480	\$ 0	\$ 0	\$ 116,545
Accrued Payroll	0	5,357	21,310	0	0	26,667
Payroll Deductions Payable	15,017	87	0	0	0	15,104
Contracts Payable	0	0	0	0	589,334	589,334
Due to Other Funds	0	40,518	0	0	540	41,058
Due to State of Tennessee	12,810	0	0	0	0	12,810
Other Current Liabilities	1,880	0	0	0	0	1,880
Deferred Revenue - Current Property Taxes	5,427,175	1,187,194	1,356,794	1,865,592	254,398	10,091,153
Deferred Revenue - Delinquent Property Taxes	158,002	38,433	38,433	34,162	8,541	277,571
Other Deferred Revenues	16,284	0	143,741	0	0	160,025
Total Liabilities	\$ 5,676,673	\$ 1,273,149	\$ 1,629,758	\$ 1,899,754	\$ 852,813	\$ 11,332,147
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 91,887	\$ 0	\$ 0	\$ 0	\$ 14,550,689	\$ 14,642,576
Reserved for Alcohol and Drug Treatment	107,336	0	0	0	0	107,336
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	327,646	0	0	0	0	327,646
Reserved for Sexual Offender Registration	1,500	0	0	0	0	1,500
Reserved for Other General Purposes	46,679	0	0	0	0	46,679
Unreserved, Reported In:						
General Fund	3,208,186	0	0	0	0	3,208,186

(Continued)

Exhibit C-1

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In (Cont.):

Special Revenue Funds
 Debt Service Funds
 Capital Projects Funds (Deficit)
 Total Fund Balances

Total Liabilities and Fund Balances

	Major Funds			Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	Other Govern- mental Funds	
\$	0	\$ 573,451	\$ 877,746	\$ 194,011	\$ 1,645,208
	0	0	0	6,927,776	0
	0	0	0	0	(14,286,332)
	<u>\$ 3,783,234</u>	<u>\$ 573,451</u>	<u>\$ 877,746</u>	<u>\$ 6,927,776</u>	<u>\$ 458,368</u>
					<u>\$ 12,620,575</u>
	<u>\$ 9,459,907</u>	<u>\$ 1,846,600</u>	<u>\$ 2,507,504</u>	<u>\$ 8,827,530</u>	<u>\$ 1,311,181</u>
					<u>\$ 23,952,722</u>

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

Jefferson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2005

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)		\$	12,620,575
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			92,358,925
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			437,596
(3) An internal service fund is used by management to charge the cost of the employee dental and vision program to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.			12,476
(4) Debt issuance costs are expensed when paid in the governmental funds. The unamortized portion of these charges are reflected on the statement of net assets.			99,000
(5) Investment in Joint Venture is recognized on the Statement of Net Assets. However, these amounts do not represent expendable available financial resources and therefore are not reported in the governmental funds.			1,658,608
(6) Interest costs of long-term debt are expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net assets.			(108,809)
(7) Long-term liabilities, including other loans payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
Accrued leave	\$	388,320	
Leases payable		167,238	
Bonds payable		2,920,000	
Other loans payable		24,899,000	(28,374,558)
Net assets of governmental activities (Exhibit A)		\$	<u>78,703,813</u>

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

Exhibit C-3

Jefferson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 5,923,410	\$ 1,238,550	\$ 1,230,946	\$ 2,058,972	\$ 275,177	\$ 10,727,055
Licenses and Permits	528,397	0	0	0	0	528,397
Fines, Forfeitures, and Penalties	250,189	0	0	0	33,816	284,005
Charges for Current Services	2,820,117	0	60,822	0	789,904	3,670,843
Other Local Revenues	40,968	0	4,841	337,976	261	384,046
Fees Received from County Officials	878,147	0	0	0	0	878,147
State of Tennessee	654,368	8,659	1,672,501	0	0	2,335,528
Federal Government	421,888	0	0	0	10,381	432,269
Other Governments and Citizens Groups	136,345	0	62,400	262,500	0	461,245
Total Revenues	\$ 11,653,829	\$ 1,247,209	\$ 3,031,510	\$ 2,659,448	\$ 1,109,539	\$ 19,701,535
<u>Expenditures</u>						
Current:						
General Government	\$ 988,098	\$ 0	\$ 0	\$ 0	\$ 724,390	\$ 1,712,488
Finance	660,044	0	0	0	330	660,374
Administration of Justice	749,788	0	0	0	0	749,788
Public Safety	3,885,589	0	0	0	87,953	3,973,542
Public Health and Welfare	3,460,234	1,143,719	0	0	0	4,603,953
Social, Cultural, and Recreational Services	541,107	0	0	0	0	541,107
Agricultural and Natural Resources	103,066	0	0	0	0	103,066
Other Operations	979,036	19,437	0	0	0	998,473
Highways	0	0	3,021,210	0	0	3,021,210
Debt Service:						
Principal	195,516	0	0	935,000	0	1,130,516
Interest	4,919	0	0	982,664	0	987,583
Other Debt Service	0	0	0	35,842	99,000	134,842
Capital Projects	0	0	0	0	1,352,721	1,352,721
Total Expenditures	\$ 11,567,397	\$ 1,163,156	\$ 3,021,210	\$ 1,953,506	\$ 2,264,394	\$ 19,969,663
Excess (Deficiency) of Revenues Over Expenditures	\$ 86,432	\$ 84,053	\$ 10,300	\$ 705,942	\$ (1,154,855)	\$ (268,128)

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 254,766	\$ 0	\$ 0	\$ 0	\$ 0	\$ 254,766
Other Loans Issued	0	0	0	0	99,000	99,000
Transfers In	0	0	0	100,000	669,300	769,300
Transfers Out	(669,300)	0	0	0	0	(669,300)
Total Other Financing Sources (Uses)	\$ (414,534)	\$ 0	\$ 0	\$ 100,000	\$ 768,300	\$ 453,766
Net Change in Fund Balances	\$ (328,102)	\$ 84,053	\$ 10,300	\$ 805,942	\$ (386,555)	\$ 185,638
Fund Balance, July 1, 2004	4,111,336	489,398	867,446	6,121,834	844,923	12,434,937
Fund Balance, June 30, 2005	\$ 3,783,234	\$ 573,451	\$ 877,746	\$ 6,927,776	\$ 458,368	\$ 12,620,575

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

Jefferson 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, 2005

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)		\$	185,638
(1) Governmental funds report capital outlay 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 amount that capital outlays exceeded depreciation is itemized as follows:			
Add: Capital outlays in the current period	\$	1,867,751	
Less: Current year depreciation		<u>(1,744,528)</u>	123,223
(2) Donated capital assets do not generate current financial resources and are therefore not recognized in the governmental funds. This adjustment reflects capital assets donated during the current period.			1,595,249
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
For the year ended June 30, 2004	\$	(526,534)	
For the year ended June 30, 2005		<u>437,596</u>	(88,938)
(4) The issuance of long-term debt (e.g., capital lease) 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: Other loans issued	\$	(99,000)	
Less: Capital leases issued		(254,766)	
Add: Principal payment on other loans		200,000	
Add: Principal payment on capital leases		195,516	
Add: Principal payment on bonds		<u>735,000</u>	776,750
(5) Governmental funds report the effect of issuance costs, premiums, discounts, and similar items related to long-term debt issuance when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.			
Plus: Debt issuance cost on debt issued during the year			99,000
(6) Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(5,081)	
Change in compensated absences		<u>(97,173)</u>	(102,254)

(Continued)

Jefferson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities (Cont.)

(7) Income from Joint Venture does not generate current financial resources and therefore is not recognized in governmental funds.	\$ 28,444
(8) Internal service funds are used by management to charge the cost of employee health benefits to individual funds. The change in net assets of the internal service funds is reported with governmental activities in the statement of activities.	<u>(4,814)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 2,612,298</u>

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

Exhibit D-1

Jefferson County, Tennessee
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal	Employee Insurance - Dental and Vision
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 25	\$ 0
Equity in Pooled Cash and Investments	183,693	15,909
Accounts Receivable	48,523	0
Due from Other Funds	40,518	0
Noncurrent Assets:		
Capital Assets:		
Assets Not Depreciated:		
Land	461,930	0
Assets Net of Accumulated Depreciation:		
Landfill Facilities and Development	186,155	0
Buildings and Improvements	109,903	0
Machinery and Equipment	577,364	0
Total Assets	<u>\$ 1,608,111</u>	<u>\$ 15,909</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 26,547	\$ 3,433
Accrued Payroll	6,202	0
Payroll Deductions Payable	137	0
Noncurrent Liabilities:		
Due Within One Year	77,449	0
Due in More Than One Year	1,901,445	0
Total Liabilities	<u>\$ 2,011,780</u>	<u>\$ 3,433</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 1,335,352	\$ 0
Unrestricted	(1,739,021)	12,476
Total Net Assets	<u>\$ (403,669)</u>	<u>\$ 12,476</u>

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

Exhibit D-2

Jefferson County, Tennessee
Statement of Revenues, Expenses and Changes
in Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal	Employee Insurance - Dental and Vision
<u>Operating Revenues</u>		
Tipping Fees	\$ 999,157	\$ 0
Vending Machine Collections	85	0
Sale of Recycled Materials	78,394	0
Other State Grants	2,140	0
Self Insurance Premiums/Contributions	0	75,710
Total Operating Revenues	<u>\$ 1,079,776</u>	<u>\$ 75,710</u>
<u>Operating Expenses</u>		
<u>Cost of Sales and Services</u>		
Supervisor/Director	\$ 25,950	\$ 0
Accountants/Bookkeepers	33,042	0
Longevity Pay	7,700	0
Laborers	324,505	0
Board and Committee Members Fees	4,320	0
Social Security	30,847	0
State Retirement	50,408	0
Employee and Dependant Insurance	72,561	0
Life Insurance	1,128	0
Dental Insurance	1,888	0
Unemployment Compensation	446	0
Data Processing Services	3,653	0
Engineering Services	9,792	0
Evaluation and Testing	8,236	0
Maintenance & Repair Services - Equipment	137,430	0
Postal Charges	457	0
Rentals	945	0

(Continued)

Exhibit D-2

Jefferson County, Tennessee
Statement of Revenues, Expenses and Changes
in Net Assets
Proprietary Funds (Cont.)

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal	Employee Insurance - Dental and Vision
<u>Operating Expenses (Cont.)</u>		
Other Contracted Services	\$ 21,581	\$ 0
Crushed Stone	31,112	0
Diesel Fuel	44,989	0
Fertilizer, Lime and Seed	70	0
Gasoline	4,970	0
Lubricants	2,472	0
Office Supplies	1,898	0
Pipe	304	0
Propane Gas	1,958	0
Small Tools	411	0
Tires and Tubes	5,717	0
Utilities	9,132	0
Chemicals	7,032	0
Other Supplies and Materials	10,608	0
Liability Insurance	5,186	0
Trustee's Commission	9,833	0
Vehicle and Equipment Insurance	11,874	0
Workers' Compensation Insurance	20,916	0
Depreciation	173,502	0
Surcharge	35,034	0
Landfill Closure/Postclosure Care Costs	46,312	0
Other Charges	16,373	0
Solid Waste Equipment	13,247	0
Handling Charges and Administrative Costs	0	11,132
Other Self-Insured Claims	0	69,392
Total Operating Expenses	<u>\$ 1,187,839</u>	<u>\$ 80,524</u>
Operating Income (Loss)	<u>\$ (108,063)</u>	<u>\$ (4,814)</u>

(Continued)

Exhibit D-2

Jefferson County, Tennessee
Statement of Revenues, Expenses and Changes
in Net Assets
Proprietary Funds (Cont.)

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal	Employee Insurance - Dental and Vision
<u>Nonoperating Revenues (Expenses)</u>		
Gain from Reduction in Estimate of Landfill Postclosure Care Cost	\$ 68,396	\$ 0
Total Nonoperating Revenues (Expenses)	<u>\$ 68,396</u>	<u>\$ 0</u>
Income (Loss) Before Transfers	\$ (39,667)	\$ (4,814)
Transfers Out	<u>(100,000)</u>	<u>0</u>
Change in Net Assets	\$ (139,667)	\$ (4,814)
Net Assets - July 1, 2004	<u>(264,002)</u>	<u>17,290</u>
Net Assets - June 30, 2005	<u>\$ (403,669)</u>	<u>\$ 12,476</u>

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

Exhibit D-3

Jefferson County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal	Employee Insurance - Dental and Vision
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers and users	\$ 991,411	\$ 0
Receipts from fiscal agents	1,753	0
Receipts from recycled materials	78,394	0
Receipts from Other Operating Grants	2,140	0
Receipts for self-insurance premiums	0	75,710
Payments to employees and board members	(400,487)	0
Payments to suppliers	(424,357)	0
Payment to others	(157,184)	0
Payments for claims	0	(70,252)
Payments for administrative costs	0	(11,132)
Net cash provided by (used in) operating activities	<u>\$ 91,670</u>	<u>\$ (5,674)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers to other funds	\$ (100,000)	\$ 0
Net cash provided by (used in) noncapital financing activities	<u>\$ (100,000)</u>	<u>\$ 0</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of capital assets	\$ (54,456)	\$ 0
Net cash provided by (used in) capital and related financing activities	<u>\$ (54,456)</u>	<u>\$ 0</u>
Increase (decrease) in cash and cash equivalents	\$ (62,786)	\$ (5,674)
Cash and cash equivalents, July 1, 2004	<u>246,504</u>	<u>21,583</u>
Cash and cash equivalents, June 30, 2005	<u>\$ 183,718</u>	<u>\$ 15,909</u>

(Continued)

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

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal	Employee Insurance - Dental and Vision
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (108,063)	\$ (4,814)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation Cost	173,502	0
Landfill closure/postclosure care cost	38,585	0
Changes in Assets and Liabilities:		
(Increase) decrease in accounts receivable, due from other funds	(6,081)	0
Increase (decrease) in accounts payable, accrued payroll payroll deductions payable, due to other funds, and accrued leave	(6,273)	(860)
Net cash provided by (used in) operating activities	<u>\$ 91,670</u>	<u>\$ (5,674)</u>
<u>RECONCILIATION OF CASH AND CASH EQUIVIVANTS</u>		
<u>WITH STATEMENT OF NET ASSETS</u>		
Cash Per Net Assets	\$ 25	\$ 0
Equity in Pooled Cash and Investments per Net Assets	183,693	15,909
Cash and cash equivalentents, June 30, 2005	<u>\$ 183,718</u>	<u>\$ 15,909</u>

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

Exhibit E-1

Jefferson County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Other Employee Benefit Trust - Flexible Benefits	Agency Funds
<u>ASSETS</u>		
Cash	\$ 0	\$ 936,585
Equity in Pooled Cash and Investments	2,304	3,320,003
Accounts Receivable	0	2,512
Due from Other Governments	0	530,378
Property Taxes Receivable	0	653,762
Allowance for Uncollectible Property Taxes	0	(11,115)
Total Assets	\$ 2,304	\$ 5,432,125
<u>LIABILITIES</u>		
Due to Other Taxing Units	\$ 0	\$ 1,175,813
Due to Litigants, Heirs, and Others	0	939,097
Due to Joint Ventures	0	3,317,215
Total Liabilities	\$ 0	\$ 5,432,125
<u>NET ASSETS</u>		
Held in Trust for Employee Benefits	\$ 2,304	

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

Exhibit E-2

Jefferson County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2005

	Other Employee Benefit Trust - Flexible Benefits
<u>ADDITIONS</u>	
Contributions	\$ 5,124
Total Contributions	<u>\$ 5,124</u>
Total Additions	<u>\$ 5,124</u>
<u>DEDUCTIONS</u>	
Other Fringe Benefits	\$ 5,087
Total Deductions	<u>\$ 5,087</u>
Change in Net Assets	\$ 37
Net Assets, July 1, 2004	<u>2,267</u>
Net Assets, June 30, 2005	<u><u>\$ 2,304</u></u>

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

JEFFERSON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson 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 Jefferson County:

A. Reporting Entity

Jefferson County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Jefferson County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Blended Component Units – There are no legally separate component units of Jefferson County that meet the criteria for being reported as part of the primary government by the blending method.

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

The Jefferson County School Department operates the public school system in the county, and the voters of Jefferson 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 Jefferson County Nursing Home provides a long-term health care facility to the citizens of Jefferson County, and the Jefferson County Commission appoints its governing body. The nursing home is funded primarily through user fees, rates of which are set by the Nursing Home's Board of Director's. Before the issuance of most debt instruments, the Board of Directors must obtain the approval of the County Commission.

The Jefferson County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Jefferson County, and the Jefferson 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 Jefferson County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Jefferson County School Department are included in this report as listed in the table of contents. Complete financial statements of the Jefferson County Nursing Home and the Jefferson County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Jefferson County Nursing Home
914 Industrial Park Road
Dandridge, TN 37725

Jefferson County Emergency Communications District
P.O. Box 705
Jefferson City, TN 37760

Related Organization – The Jefferson County Industrial Development Board is a related organization of Jefferson County. The county mayor nominates and the County Commission confirms the appointment of the board members of the development board, but the county's accountability for this organization does not extend beyond making these 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. 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. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Jefferson 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.

Separate financial statements are provided for governmental funds, proprietary funds (enterprise and internal service), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the enterprise fund (also a major 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 proprietary funds and fiduciary funds financial statements. 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 Jefferson 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. Jefferson County reports two proprietary funds, an enterprise fund and an internal service fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and the enterprise fund (also a major 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. Internal service funds and fiduciary funds in total are reported in single columns by fund type.

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. Jefferson County considers grant 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 General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

Jefferson 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.

Solid Waste/Sanitation Fund – This fund accounts for the transactions related to the county’s garbage pickup service.

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

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds, including general obligation debt issued on behalf of the Jefferson County School Department, the Jefferson County Nursing Home, and the Jefferson Memorial Hospital.

Jefferson County reports the following major proprietary fund:

Solid Waste/Disposal Fund – This fund accounts for solid waste disposal operations of the Jefferson County landfill.

Additionally, Jefferson County reports the following fund types:

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

Internal Service Fund – The Employee Insurance – Dental and Vision Fund is used to account for the county’s self-insured dental and vision programs. Premiums charged to the various county funds and employee payroll deductions are placed in this fund for the payment of claims of county employees.

Other Employee Benefit Trust Fund – The Flexible Benefits Fund is used to account for operations of the flexible benefits program for Jefferson County and the Jefferson County Nursing Home employees.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Jefferson County, the cities property taxes collected by the county trustee and forwarded to the Town of Dandridge and the City of Baneberry, and assets held in a custodial capacity for a joint venture. 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 Jefferson County School Department reports the following major governmental fund:

General Purpose School Fund– This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

Additionally, the Jefferson County School Department reports the following fund types:

Special Revenue Fund – The School Federal Projects Fund accounts for restricted federal revenues which must be expended on specific education programs.

Internal Service Fund – The Employee Insurance – Dental and Vision Fund is used to account for the School Department’s self-insured dental and vision programs. Premiums charged to the various School Department funds and employee payroll deductions are placed in this fund for the payment of claims of School Department employees.

Other Employee Benefit Trust Fund – The Flexible Benefits Fund, is used to account for operations of the flexible benefits program for Jefferson County School Department’s employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 two proprietary funds, an enterprise fund and an internal service fund. Operating revenues and expenses generally result from providing services in connection with the funds’ principal ongoing operations. The principal operating revenue of the enterprise fund is tipping fees. Operating expenses of the enterprise fund include various expenses associated with the operation of the county’s landfill. The principal operating revenues of the county’s and the School Departments’ internal service funds are charges for services and operating expenses are administrative expenses and employee benefits.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on hand and cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Jefferson 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 Debt Service Fund and the Joint Venture Fund. Jefferson County and the Jefferson County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.08 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Landfill Facilities and Development	2-40
Buildings and Improvements	5-40
Machinery and Equipment	3-15
Other Capital Assets	5-25
Infrastructure	99

4. Compensated Absences

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Jefferson County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements for the county. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

It is the School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide statements. A liability for vacation and sick pay is reported in the 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 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 the fund financial statements, governmental funds recognize debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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, are recognized to the extent that the liabilities have matured (come due for payment) each period.

The county has entered into an interest rate swap agreement to modify the interest rate on certain outstanding debt. Other than the net interest expenditures resulting from the agreement, no amounts are recorded in the financial statements.

6. Net Assets and Fund Equity

In the government-wide financial statements and the proprietary fund in the fund financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2005, Jefferson County had \$27,445,000 and \$140,000 in outstanding debt for capital purposes for the discretely presented Jefferson County School Department and the Jefferson County Nursing Home, respectively. The debt is a liability of Jefferson County, but the capital assets acquired are reported in the financial statements of the School Department and the Nursing Home. Therefore, Jefferson County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

On the government-wide statement of net assets (Exhibit A), the account restricted for other purposes for the primary government consists of various restrictions totaling (\$1,118,489). These include (1) drug control (\$32,896); (2) solid waste/sanitation (\$602,432); and

(3) various other restrictions (\$483,161). For the discretely presented Jefferson County School Department, the account balance restricted for other purposes, primarily consists of amounts restricted for the school lunch and breakfast program (\$352,805), the school age child care program (\$112,535), and other federal assistance programs (\$83,763).

On the balance sheet – governmental funds (Exhibit C-1), the account Reserved for Other General Purposes consists of a reserve in the General Fund for the county libraries. On the balance sheet – governmental funds (Exhibit J-1), the account Other Local Education Reserve consists of a reserve in the General Purpose School Fund of the discretely presented Jefferson County School Department for the school age child care program.

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 fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

Discretely Presented Jefferson County School Department

The discretely presented Jefferson County School Department’s Exhibit J-2 includes explanations of the nature of individual elements of items required to reconcile fund balances – total governmental funds and net assets of governmental activities reported in 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 net changes in fund balances – governmental funds and changes in net assets of governmental activities reported in the government-wide statement of activities.

Discretely Presented Jefferson County School Department

The discretely presented Jefferson County School Department's Exhibit J-4 includes explanations of the nature of individual elements of items required to reconcile net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Net Assets Deficit/Fund Deficit

The Other Capital Projects Fund had a deficit unreserved fund balance of \$14,919,399 at June 30, 2005. This fund deficit resulted from the unperformed portions of construction contracts of \$14,525,903 being reserved as encumbrances. Funding for these future expenditures has been provided for through undrawn loan proceeds of \$14,901,000.

The Solid Waste Disposal Fund had a net asset deficit of \$403,669 and an unrestricted net assets deficit of \$1,739,021 at June 30, 2005. Further details relating to liabilities recorded in this fund are disclosed in Note V.E. Landfill Closure/Postclosure Care Cost.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations in the Drug Control Fund, a nonmajor special revenue fund, by \$7,239. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

C. Actual Fund Balances Exceeded Estimated Beginning Fund Balances by Material Amounts

The actual fund balances of the funds noted below exceeded the estimated fund balances presented to the County Commission during the budget process by the following amounts:

<u>Fund</u>	<u>Actual Fund Balance 7-1-04</u>	<u>Estimated Fund Balance 7-1-04</u>	<u>Difference</u>
General	\$ 4,048,243	\$ 2,154,033	\$ 1,894,210
Solid Waste/Sanitation	489,398	53,500	435,898
General Debt Service	6,121,834	1,300,000	4,821,834

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Jefferson County and the Jefferson 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 represent nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Jefferson County had the following investments carried at fair value or cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Jefferson County and the discretely

presented Jefferson County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value Or Cost</u>
State Treasurer's Investment Pool	Daily	\$ 1,634,844
Jefferson County (Hospital) Capital Outlay Note	6-19-06	<u>100,000</u>
Total		<u>\$ 1,734,844</u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Jefferson County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Jefferson County has no investment policy that would further limit its investment choices. As of June 30, 2005, Jefferson County's investments in the State Treasurer's Investment Pool and the Jefferson County (Hospital) Capital Outlay Note were unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets				
Not Depreciated:				
Land	\$ 1,159,625	\$ 0	\$ 0	\$ 1,159,625
Construction in Progress	873,694	1,187,555	0	2,061,249
Total Capital Assets Not Depreciated	<u>\$ 2,033,319</u>	<u>\$ 1,187,555</u>	<u>\$ 0</u>	<u>\$ 3,220,874</u>

Governmental Activities: (Cont.)

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,633,966	\$ 0	\$ 0	\$ 2,633,966
Machinery and Equipment	3,879,956	680,196	(20,012)	4,540,140
Infrastructure	109,459,748	1,595,249	0	111,054,997
Total Capital Assets Depreciated	<u>\$ 115,973,670</u>	<u>\$ 2,275,445</u>	<u>\$ (20,012)</u>	<u>\$ 118,229,103</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,112,060	\$ 68,926	\$ 0	\$ 1,180,986
Machinery and Equipment	1,729,254	564,126	(20,012)	2,273,368
Infrastructure	24,525,222	1,111,476	0	25,636,698
Total Accumulated Depreciation	<u>\$ 27,366,536</u>	<u>\$ 1,744,528</u>	<u>\$ (20,012)</u>	<u>\$ 29,091,052</u>
Total Capital Assets Depreciated, Net	<u>\$ 88,607,134</u>	<u>\$ 530,917</u>	<u>\$ 0</u>	<u>\$ 89,138,051</u>
Governmental Activities Capital Assets, Net	<u>\$ 90,640,453</u>	<u>\$ 1,718,472</u>	<u>\$ 0</u>	<u>\$ 92,358,925</u>

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

Governmental Activities:

General Government	\$ 19,850
Administration of Justice	3,350
Public Safety	143,924
Public Health and Welfare	311,818
Social, Cultural, and Recreational Services	6,450
Highways/Public Works	<u>1,259,136</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,744,528</u>

Business-type Activities:

	Balance 7-1-04	Increases	Balance 6-30-05
Capital Assets Not Depreciated:			
Land	\$ 461,930	\$ 0	\$ 461,930
Total Capital Assets Not Depreciated	<u>\$ 461,930</u>	<u>\$ 0</u>	<u>\$ 461,930</u>
Capital Assets Depreciated:			
Landfill Facilities and Development	\$ 458,228	\$ 0	\$ 458,228
Buildings and Improvements	276,740	13,200	289,940
Machinery and Equipment	1,821,123	41,256	1,862,379
Total Capital Assets Depreciated	<u>\$ 2,556,091</u>	<u>\$ 54,456</u>	<u>\$ 2,610,547</u>
Less Accumulated Depreciation For:			
Landfill Facilities and Development	\$ 253,827	\$ 18,246	\$ 272,073
Buildings and Improvements	165,448	14,589	180,037
Machinery and Equipment	1,144,348	140,667	1,285,015
Total Accumulated Depreciation	<u>\$ 1,563,623</u>	<u>\$ 173,502</u>	<u>\$ 1,737,125</u>
Total Capital Assets Depreciated, Net	<u>\$ 992,468</u>	<u>\$ (119,046)</u>	<u>\$ 873,422</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,454,398</u>	<u>\$ (119,046)</u>	<u>\$ 1,335,352</u>

Depreciation expense totaling \$173,502 was charged to the Solid Waste Disposal Fund.

Discretely Presented Jefferson County School Department

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 536,841	\$ 0	\$ 0	\$ 536,841
Construction in Progress	0	621,526	0	621,526
Total Capital Assets Not Depreciated	\$ 536,841	\$ 621,526	\$ 0	\$ 1,158,367
Capital Assets Depreciated:				
Buildings and Improvements	\$ 33,923,418	\$ 425,270	\$ 0	\$ 34,348,688
Machinery and Equipment	1,066,150	72,131	0	1,138,281
Other Capital Assets	4,145,977	255,790	(178,846)	4,222,921
Total Capital Assets Depreciated	\$ 39,135,545	\$ 753,191	\$ (178,846)	\$ 39,709,890
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 15,914,783	\$ 810,138	\$ (194,040)	\$ 16,530,881
Machinery and Equipment	676,120	77,779	0	753,899
Other Capital Assets	2,788,283	314,892	(166,051)	2,937,124
Total Accumulated Depreciation	\$ 19,379,186	\$ 1,202,809	\$ (360,091)	\$ 20,221,904
Total Capital Assets Depreciated, Net	\$ 19,756,359	\$ (449,618)	\$ 181,245	\$ 19,487,986
Governmental Activities Capital Assets, Net	\$ 20,293,200	\$ 171,908	\$ 181,245	\$ 20,646,353

Depreciation expense totaling \$1,008,769 was charged by the discretely presented Jefferson County School Department.

C. Construction Commitments

At June 30, 2005, the Other Capital Projects Fund had uncompleted construction contracts of \$14,525,903 for the construction of a new justice center. Funding for these future expenditures has been provided for through undrawn loan proceeds of \$14,901,000. Likewise, the discretely presented Jefferson County School Department had uncompleted construction contracts of \$622,122 for roofing projects in the General Purpose School Fund. Funding for these future expenditures will be provided for through available fund equity.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 540
Solid Waste Disposal	Solid Waste/Sanitation	<u>40,518</u>
Total		<u>\$ 41,058</u>

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, 2005, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfer In</u>	
	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 669,300
Solid Waste Disposal Fund	<u>100,000</u>	<u>0</u>
Total	<u>\$ 100,000</u>	<u>\$ 669,300</u>

Discretely Presented Jefferson County School Department

	<u>Transfers In</u>
	General
	Purpose
	School
	Fund
<u>Transfers Out</u>	
Nonmajor governmental	\$ 93,319
Total	<u>\$ 93,319</u>

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

E. Payables

Most payables are disaggregated on the face of the financial statements. The \$1,880 reflected as other current liabilities in the General Fund represents deposits for zoning permits.

F. Capital Leases

On August 16, 2004, Jefferson County entered into a two-year lease-purchase agreement for Sheriff's Department vehicles. The terms of the agreement require total lease payments of \$254,766 plus interest of 3.1 percent. Title to the vehicles transfers to Jefferson County at the end of the lease period. The lease payments are made by the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental</u>
	Funds
2006	\$ 87,527
2007	87,527
Total Minimum Lease Payments	\$ 175,054
Amounts Representing Interest	<u>(7,816)</u>
Present Value of Minimum	
Lease Payments	<u>\$ 167,238</u>

G. Long-term Debt

Primary Government

General Obligation Bonds 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.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 15 years for bonds and up to 25 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 and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds -			
Refunding	2 to 4.9 %	\$ 6,430,000	\$ 2,920,000
Other Loans - Swapped	4.96	10,000,000	10,000,000
Other Loans	Variable	15,099,000	14,899,000
Capital Leases	3.1	254,766	167,238

Included in the balance of bonds outstanding at June 30, 2005, is debt that was refunded for the Jefferson County Nursing Home with the General Obligation Refunding Bond – 2002. The Jefferson County Nursing Home reimburses the county for expenditures related to the retirement of its portion of the refunding issue. As of June 30, 2005, the Jefferson County Nursing Home’s portion of the outstanding bonds was \$140,000.

Jefferson County has entered into loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority. Under its loan agreements with the Sevier County Public Building Authority, the authority has loaned the county \$25,000,000 for various school renovation and construction projects. Under its agreements with the Blount County Public Building Authority, the authority has made a total of \$15,000,000 available for loan to Jefferson County on an as-needed basis for various construction projects and for the construction of the new justice center. At

June 30, 2005, \$99,000 of the Blount County Public Building Authority loan had been drawn. The balance (\$14,901,000) remains available for future draws under the loan agreement. The variable rate Sevier County Public Building Authority Series III-C-5 is repayable at a tax-exempt synthetic fixed rate obtained through the execution of a swap agreement. The remaining 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, debt remarketing, administrator, etc.) in connection with these loans. The following table summarizes loan agreements outstanding as of June 30, 2005:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Interest Rates as of 6-30-05	Other Fees on Variable Rate Debt
<u>Sevier County Public Building Authority</u>					
School Construction and Renovation (III C-5)	\$ 10,000,000	\$ 10,000,000	Synthetic Fixed by Swap	4.96 %	.47 %
School Construction and Renovation (III D-3)	10,000,000	10,000,000	Variable	2.3	.49
School Construction and Renovation (IV B-10)	5,000,000	4,800,000	Variable	2.31	.53
Total		<u>\$ 24,800,000</u>			
<u>Blount County Public Building Authority</u>					
Justice Center Construction Series D-2-A	\$ 15,000,000	\$ 99,000	Variable	2.31 %	.49 %
Total		<u>\$ 99,000</u>			
Total		<u>\$ 24,899,000</u>			

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table. The amounts included for the Blount County Public Building Authority loan do not include the \$14,901,000 which has not yet been drawn by the county.

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 760,000	\$ 129,746
2007	505,000	102,968
2008	530,000	79,486
2009	550,000	54,575
2010	575,000	28,175
Total	<u>\$ 2,920,000</u>	<u>\$ 394,950</u>

Year Ending June 30	Other Loan (\$10,000,000) Series III-C-5			Total
	Principal	Interest	Other Fees	
2006	\$ 0	\$ 496,000	\$ 47,000	\$ 543,000
2007	0	496,000	47,000	543,000
2008	0	496,000	47,000	543,000
2009	0	496,000	47,000	543,000
2010	0	496,000	47,000	543,000
2011-2015	0	2,480,000	235,000	2,715,000
2016-2020	3,455,000	2,406,344	228,021	6,089,365
2021-2023	6,545,000	660,424	62,580	7,268,004
Total	\$ 10,000,000	\$ 8,026,768	\$ 760,601	\$ 18,787,369

Year Ending June 30	Other Loan (\$10,000,000) Series III-D-3			Total
	Principal	Interest	Other Fees	
2006	\$ 0	\$ 230,000	\$ 48,950	\$ 278,950
2007	0	230,000	48,950	278,950
2008	0	230,000	48,950	278,950
2009	0	230,000	48,950	278,950
2010	0	230,000	48,950	278,950
2011-2015	4,545,000	1,039,945	221,327	5,806,272
2016-2019	5,455,000	272,550	58,006	5,785,556
Total	\$ 10,000,000	\$ 2,462,495	\$ 524,083	\$ 12,986,578

Year Ending June 30	Other Loan (\$5,000,000) Series IV-B-10			Total
	Principal	Interest	Other Fees	
2006	\$ 210,000	\$ 110,880	\$ 25,469	\$ 346,349
2007	515,000	106,029	24,355	645,384
2008	540,000	94,133	21,622	655,755
2009	575,000	81,659	18,757	675,416
2010	605,000	68,376	15,706	689,082
2011-2012	2,355,000	80,156	18,411	2,453,567
Total	\$ 4,800,000	\$ 541,233	\$ 124,320	\$ 5,465,553

Year Ending June 30	Other Loan (\$15,000,000) Series D-2-A			
	Principal	Interest	Other Fees	Total
2006	\$ 0	\$ 2,287	\$ 485	\$ 2,772
2007	99,000	2,287	485	101,772
Total	\$ 99,000	\$ 4,574	\$ 970	\$ 104,544

There is \$6,927,776 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$66, based on the 2000 federal census. Total debt per capita, including bonds, capital leases, and other loans amounted to \$632, based on the 2000 federal census.

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series III-C-5.

Objective of the interest rate swap. In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the authority, on behalf of the county, entered into an interest rate swap in connection with its \$10 million Series III-C-5 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.96 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable rate bond associated to the swap. The swap has a notional amount of \$10 million, and the associated variable-rate bond has a \$10 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-C-5 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2023. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to counterparty	Fixed	4.96 %
Variable payment from counterparty		<u>-2.3</u>
Net Interest rate swap payments		2.66
Variable-rate bond interest payments		<u>2.3</u>
Synthetic interest rate on bonds		<u><u>4.96</u></u>

Fair value. As of June 30, 2005, the swap had a negative fair value of \$1,280,642. The negative fair value of the swap may be countered by

reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the coupons on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value, using the zero coupon method.

Credit risk. As of June 30, 2005, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. The variable interest payment the county receives from the counterparty is the same as the variable rate interest paid on the outstanding bonds associated to the swap. Therefore, there is no basis risk.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap	
	Principal	Interest	Payment	Total
2006	\$ 0	\$ 230,000	\$ 266,000	\$ 496,000
2007	0	230,000	266,000	496,000
2008	0	230,000	266,000	496,000
2009	0	230,000	266,000	496,000
2010	0	230,000	266,000	496,000
2011-2015	0	1,150,000	1,330,000	2,480,000
2016-2020	3,455,000	1,115,845	1,290,499	5,861,344
2021-2023	6,545,000	306,245	354,179	7,205,424
Total	\$ 10,000,000	\$ 3,722,090	\$ 4,304,678	\$ 18,026,768

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Capital Leases
Balance, July 1, 2004	\$ 3,655,000	\$ 107,988
Additions	0	254,766
Deductions	(735,000)	(195,516)
Balance, June 30, 2005	\$ 2,920,000	\$ 167,238
Balance Due Within One Year	\$ 760,000	\$ 82,343
	Other Loans	Compensated Absences
Balance, July 1, 2004	\$ 25,000,000	\$ 291,147
Additions	99,000	333,139
Deductions	(200,000)	(235,966)
Balance, June 30, 2005	\$ 24,899,000	\$ 388,320
Balance Due Within One Year	\$ 210,000	\$ 270,544

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 28,374,558
Less: Balance Due Within One Year	<u>(1,322,887)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 27,051,671</u>

Compensated absences payable will be paid from the employing funds, primarily the General Fund, Solid Waste/Sanitation Fund, and the Highway/Public Works Fund.

Jefferson County Solid Waste Disposal Fund (Enterprise Fund)

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Compensated Absences	Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 5,579	\$ 2,002,067
Additions	2,174	46,312
Deductions	<u>(1,116)</u>	<u>(76,122)</u>
Balance, June 30, 2005	<u>\$ 6,637</u>	<u>\$ 1,972,257</u>
Balance Due Within One Year	<u>\$ 1,327</u>	<u>\$ 76,122</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 1,978,894
Less: Balance Due Within One Year	<u>(77,449)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 1,901,445</u>

Discretely Presented Jefferson County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Jefferson County School Department for the year ended June 30, 2005, was as follows:

Governmental Activities:

	<u>Compensated Absences</u>	<u>Retirement Incentive</u>
Balance, July 1, 2004	\$ 712,419	\$ 26,374
Additions	133,716	101,729
Deductions	<u>(148,982)</u>	<u>(48,981)</u>
Balance, June 30, 2005	<u>\$ 697,153</u>	<u>\$ 79,122</u>
Balance Due Within One Year	<u>\$ 337,076</u>	<u>\$ 33,910</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 776,275
Less: Balance Due Within One Year	<u>(370,986)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 405,289</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects Funds.

H. Short-term Debt

During the year, the School Department issued revenue anticipation notes of \$150,000 to provide temporary operating funds for the School Federal Projects Fund. Short-term debt activity for the year ended June 30, 2005, was as follows:

	<u>Balance 7-1-04</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6-30-05</u>
Revenue Anticipation Notes	\$ 0	\$ 150,000	\$ (150,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Jefferson County and the discretely presented Jefferson County School Department are exposed to risks related to general liability, property, casualty, and workers' compensation. The county and the School Department have decided it was more economically feasible to join public entity risk pools

as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county and the School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Board Association, an association of member school departments. The county and the School Department pay annual premiums to the TSB-RMT for their general liability, property, casualty, and workers' compensation coverage. The creation of the TSB-RMT provide for it to be self-sustaining through member premiums.

Also, Jefferson County and the discretely presented Jefferson County School Department have joined 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 were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Jefferson County and the discretely presented Jefferson County School Department have chosen to establish an Employee Insurance - Dental and Vision Fund for risks associated with the employees' dental and vision plans. The Employee Insurance - Dental and Vision Funds are accounted for as Internal Service Funds where assets are set aside for claim settlements. The maximum liability is \$1,000 per employee per year. All full-time employees of Jefferson County and the discretely presented Jefferson County School Department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on estimates of the amounts needed to pay claims. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance – Dental and Vision Funds established claims liabilities based on estimates of claims that have been incurred but not reported. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Estimates	Payments	Balance at Fiscal Year-end
<u>Employee Insurance - Dental and Vision Fund</u>				
<u>Primary Government</u>				
2003-2004	\$ 4,578	\$ 56,421	\$ 56,706	4,293
2004-2005	4,293	69,392	70,252	3,433
<u>Discretely Presented Jefferson County School Department</u>				
2003-2004	\$ 22,392	\$ 238,136	\$ 233,207	27,321
2004-2005	27,321	241,407	229,487	39,241

B. Accounting Changes

During the year, Jefferson County fully implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments. In the prior year, Jefferson County had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

During the year, Jefferson County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Events

Subsequent to June 30, 2005, the county authorized the issuance of \$40 million in debt for the discretely presented Jefferson County School Department for the school renovation and construction project.

Revenue anticipation notes of \$150,000 were issued subsequent to June 30, 2005, to provide temporary operating funds for the School Federal Projects Fund.

D. Contingent Liabilities

Jefferson County and several other counties have been named defendants in a lawsuit demanding compliance with the requirements of the Americans with Disabilities Act (ADA). The lawsuit applies to all Jefferson County facilities. As of the date of this report, Jefferson County has not completed any studies of the estimated costs to renovate the existing facilities to bring them into compliance with the ADA. Therefore, a reasonable estimate, or range of potential loss to the county, resulting from this lawsuit cannot be made.

The discretely presented Jefferson County School Department has filed suit against the architect and engineering firm seeking damages in connection with the design of HVAC systems in certain schools in Jefferson County. The suit seeks payment of damages sustained by the School Department in correcting problems with the HVAC systems.

There are several other pending lawsuits in which Jefferson County and the discretely present Jefferson County School Department are involved. Management, based on estimates from their attorneys, believes that the potential claims against the county and the School Department not covered by insurance resulting from such litigation would not materially affect the financial statements of the primary government or School Department.

E. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its Patterson Landfill Site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The county is also required to perform maintenance and monitoring functions at the closed Highway 92 Landfill site for 30 years after its closure in 1993. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Solid Waste Disposal Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,972,257 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 32.5 percent of the estimated capacity of the Patterson Landfill Site and the estimated postclosure care cost for the Highway 92 Landfill Site. The Patterson Landfill site will recognize the remaining estimated cost of closure and postclosure care of \$1,250,436 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in the 2005 year. The county expects to close the Patterson Landfill Site in the year 2032. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The county, along with Jefferson City, in the past has participated in the operation of Jefferson Memorial Hospital, a health facility. Effective April 1, 1997, the county and city entered into an agreement to lease the hospital, including all assets and all outstanding liabilities, to a nonprofit corporation, Jefferson Memorial Hospital, Inc. (JMH, Inc.), of which obligations are guaranteed by St. Mary's Health Systems, Inc. The county continues to pay the debt and receives reimbursement from JMH, Inc. The county and city created a seven-member oversight board comprising the hospital's chief of staff, three appointees from the county, and three from the city. The board is responsible for administration of the lease and the hospital in the event of lease termination. Rentals received under the lease have been held in escrow for contingencies pursuant to an agreement between the county and city. These amounts have been held in the Joint Venture – Agency Fund of the county. In prior years, the county and city contributed \$1.7 million from the Joint Venture – Agency Fund toward the construction of the new hospital. At June 30, 2005, \$3,317,215 remained in the Joint Venture Fund. Subsequent to June 30, 2005, the county and city directed that the fund be liquidated and that the balance be paid in equal shares to the county and city. At June 30, 2005, the county reflected an Investment in Joint Venture of \$1,658,608 on the government-wide Statement of Net Assets.

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the 4th Judicial District; Sevier, Jefferson, Grainger and Cocke Counties and various cities within these counties. 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 participating law enforcement agencies within each judicial district. Jefferson County made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from their administrative office at the following address:

District Attorney General's Office
4th Judicial District
125 Court Avenue, Suite 301
Sevierville, TN

G. Jointly Governed Organization

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock,

Hawkins, Jefferson, Johnson, Sullivan, Washington, and Unicoi. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a Board of Directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agriculture Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the Board of Directors, along with the center manager, as an ex officio member, are in charge of the daily operations of the center. The county does not have any ongoing financial interest or responsibility beyond its initial investment.

H. Retirement Commitments

Plan Description

Employees of Jefferson 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 Jefferson County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Jefferson County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 12.61 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Jefferson County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Jefferson County's annual pension cost of \$1,906,296 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Jefferson 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, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$1,906,296	100%	\$0
6-30-04	1,560,626	100	0
6-30-03	1,440,974	100	0

Required Supplementary Information
Schedule of Funding Progress for Jefferson County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$25,284	\$28,024	\$2,740	90.22%	\$12,544	21.84%
6-30-01	21,806	24,882	3,076	87.64	11,124	27.65
6-30-99	18,211	19,977	1,766	91.16	9,396	18.79

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/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 Jefferson County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Jefferson County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$1,132,028, \$662,291, and \$623,845, respectively, equal to the required contributions for each year.

I. Other Post-employment Benefits

Retirement Incentive Payments

The School Department offers an early retirement incentive program in accordance with contract provisions. This plan is available to employees who retire from the school system in the year they reach age 60 or have 30 years of creditable service which are recognized by the Tennessee Consolidated Retirement System and have a minimum of ten years of employment with the School Department. The plan gives teachers who have met the above requirements an option of receiving \$9,500 divided into two equal annual payments or \$10,500 divided into three equal annual payments. Thirteen employees participated in the program during the 2004-05 year. The financial statements of this report reflect expenditures of \$48,981 in the General Purpose School Fund for the retirement incentive payments. A liability of \$79,122 has also been recorded in the government-wide Statement of Net Assets to reflect unpaid retirement incentive commitments at June 30, 2005.

Sick Leave Exit Option

The School Department also offers teachers a financial incentive for accumulated sick leave. This incentive is available to all teachers who leave the School Department in good standing with at least ten consecutive years of service. The incentive amount is \$25 for each accumulated day of sick leave. Fourteen employees received this incentive during the 2004-05 year. The financial statements of this report reflect expenditures of \$49,546 in the General Purpose School Fund for the accumulated sick leave incentive payments. A liability of \$556,281 has also been recorded in the government-wide Statement of Net Assets to reflect accumulated sick leave commitments at June 30, 2005.

Health Care

The School Department provides post-retirement health care benefits to employees who retire with a minimum of 30 years of service, or at age 60 and have been employed by the school system a minimum of ten years with the last five in continuous service. Approximately 47 retirees meet these

eligibility requirements. The county pays the premiums for single coverage. During the year, expenditures of \$150,900 were recognized for post-employment health care.

J. Purchasing Laws

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated. These acts provide for purchases exceeding \$5,000 (excluding emergency purchases) to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

Purchasing procedures for the Highway Department are governed by Chapter 477, Private Acts of 1929 and provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated. The private act provides for the Highway Commission to purchase all necessary supplies and equipment for the Highway Department. The Uniform Road Law provides for any purchases exceeding \$10,000 (excluding emergency purchases) to be made after public advertisement and solicitation of competitive bids.

Office of Director of Schools

Purchasing procedures for the discretely presented Jefferson County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

VI. OTHER NOTES – DISCRETELY PRESENTED JEFFERSON COUNTY NURSING HOME

A. Summary of Significant Accounting Policies

Jefferson County Nursing Home provides long-term health care primarily for the citizens of Jefferson County, Tennessee. The accounting policies of the nursing home conform to generally accepted accounting principles applicable to government units. 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 (when applicable). As allowed in GASB's Codification of Governmental Accounting and Financial Reporting Standards, the nursing home has elected

not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

1. Basis of Presentation

The nursing home is governed, operated, and controlled by a seven-member board of commissioners who are appointed by the Board of County Commissioners of Jefferson County. Jefferson County is legally obligated to assume the nursing home's debt in the event of default and is legally obligated to provide financial support, making Jefferson County financially accountable for the nursing home. Therefore, the nursing home is a discrete component unit of Jefferson County, Tennessee. Jefferson County's accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The transactions of each fund are accounted for with a separate set of self-balancing accounts that include its assets, liabilities, fund equity, revenues, and expenditures/expenses, as appropriate.

The nursing home is an enterprise fund, used for activities which are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. New Accounting Pronouncements

The nursing home has adopted the provisions GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, and Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, effective July 1, 2001.

These statements significantly changed the format and content of the nursing home's financial statements, including the presentation of net assets and the preparation of the statement of cash flows on the direct method. The nursing home also adopted the provisions of GASB Statement No. 38, Certain Financial Statement Note Disclosures, effective July 1, 2002. This Statement modifies, establishes, and rescinds certain financial statement note disclosures. The financial statements have been prepared in conformance with this Statement.

3. Definition of Operating Activities

The nursing home considers operating revenues and expenses to be those that result from providing long-term health care to citizens of Jefferson County.

4. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The nursing home's records are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, and expenses are recorded at the time liabilities are incurred.

5. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes bank demand deposits and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

6. Inventory

Inventory consists of expendable supplies held for consumption and use in the medical, dietary, housekeeping, maintenance and laundry departments and are carried at cost on the first-in, first-out basis. The cost of supplies is expensed at the time the items are used and not at the time of purchase.

7. Capital Assets

Capital assets owned by the nursing home are recorded at cost. Repairs and maintenance are recorded as expenses. Betterments and renewals are capitalized. Depreciation of fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the balance sheet.

The nursing home has provided for depreciation over the estimated useful lives of assets according to Medicare and Medicaid guidelines, using the straight line and double declining balance methods. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	10-40 years
Equipment	4-20 years
Land Improvements	10-12 years

8. Compensated Absences

The general policy of the nursing home permits full-time employees to accumulate unused vacation leave according to the following schedule:

<u>Years of Employment</u>	<u>Vacation Leave</u>
1-10	10 days
11-20	15 days
over 20	20 days

The accumulated vacation leave is paid to employees upon separation from service.

Sick leave accumulates at the rate of one day for each month of full-time service; however, sick leave does not vest for payment upon separation from service.

Vacation leave is recorded as an expense as it is earned without regard to when it is paid, and sick leave is recorded as an expense when paid.

B. Cash and Investments

The nursing home maintained checking and savings accounts and certificates of deposit at First Tennessee Bank and FSG Bank in Dandridge, and Branch Banking & Trust in Jefferson City during the year ended June 30, 2005. State law requires deposits of the nursing home's funds to be insured or collateralized. At June 30, 2005 the nursing home had deposits with the following banks:

<u>Bank</u>	<u>Amount</u>
First Tennessee Bank	\$227,602
FSG Bank	51,599
BB&T	71,558

Funds in excess of the Federal Deposit Insurance Corporation insured amounts of \$100,000 at each bank were secured by the banks' pledge of collateral through their participation in the State of Tennessee collateral pool.

C. Restricted Assets

Restricted assets, specifically cash in the employee scholarship fund and the patient trust fund, are available to provide scholarships to qualifying employees and to pay personal patient expenses, respectively. The assets are maintained as follows: (1) With respect to Restricted Cash - Scholarships for Employees, certain donations received are designated to be used for higher education of employees. At least one qualifying employee per year is awarded a scholarship to offset the cost of higher education. Deposits to the fund come from private donations and monthly interest earned. The only withdrawals made are to award \$2,000 scholarships to qualifying employees. Scholarships awarded are subject to Board approval. A minimum account balance of \$10,000 is maintained. During 2005, no scholarships were awarded; (2) With respect to the Patient Trust Fund, the nursing home manages the personal finances for those patients no longer capable of doing so themselves. Deposits into this account represent the patients' personal income, and withdrawals are actual checks written for patients' personal expenses. The nursing home maintains a current liability payable from restricted assets to match and/or offset the balance of this account. As of June 30, 2005, the nursing home was not holding any trust funds for patients.

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, is as follows:

	6-30-04	Additions	6-30-05
Non-depreciable assets:			
Land and improvements	\$ 53,832	\$ 0	\$ 53,832
Depreciable assets:			
Buildings	3,141,956	0	3,141,956
Equipment	1,105,925	13,217	1,119,142
Accumulated depreciation	(2,491,759)	(143,011)	(2,634,770)
Total depreciable assets	<u>\$ 1,756,122</u>	<u>\$ (129,794)</u>	<u>\$ 1,626,328</u>
Total net capital assets	<u>\$ 1,809,954</u>	<u>\$ (129,794)</u>	<u>\$ 1,680,160</u>

E. Pension Plan

Certain employees of the nursing home are covered under the pension plan of Jefferson County, Tennessee. Jefferson County participates in the Tennessee Consolidated Retirement System (TCRS), which is a defined benefit retirement plan covering employees of the State of Tennessee and electing political subdivisions.

The nursing home's participating employees are noncontributory; therefore, the nursing home pays the total pension compensation. For the fiscal year ended June 30, 2005, the nursing home contributed \$335,004 to the plan.

Reference is made to the Comprehensive Annual Financial Report for Jefferson County, Tennessee, for details related to the plan description, funding status and progress, actuarially determined contribution requirements and trend information. This additional information is not separately determined for the nursing home.

F. Uncompensated Services

The nursing home was constructed in part with a grant, which was provided through the provisions of a Congressional Act known as the Hill-Burton Act, Public Law 79-725. Regulations of this act required the nursing home to provide an amount of free care, or uncompensated services, on a periodic basis for a certain amount of time, the amount of which was determined under a formula built into the law,

The Department of Health & Human Services performed a substantial compliance review and determined that the nursing home was in substantial compliance with the regulations. Therefore, the nursing home has fulfilled their total Hill-Burton uncompensated services obligation and is no longer required to provide free care.

G. Long-Term Debt

Jefferson County, Tennessee issued \$10,000,000 General Obligation Bonds, Series 1993, dated July 1, 1993, of which \$1,665,000 was for the nursing home. The bonds are direct general obligations of Jefferson County, Tennessee, payable from ad valorem taxes levied upon all taxable property within Jefferson County without limitation as to rate or amount. The full faith and credit of Jefferson County, Tennessee, was irrevocably pledged to pay principal, redemption premiums, if any, and interest on the bonds. The intention of Jefferson County is for the nursing home to repay the portions of the bonds applicable to the nursing home totaling \$1,665,000 plus any related amounts incurred as the result of the refunding and issue costs.

The nursing home financed additions and improvements to the nursing home using \$1,200,000 of the proceeds from the bond issue and refinanced its outstanding General Obligation Bonds, Series 1987 with the remainder of the proceeds totaling \$465,000.

The bonds payable at June 30, 2005, have stated interest rates varying from 2.25 percent to 5 percent and have a final maturity of April 1, 2006. Interest payments began on October 1, 1993 and have continued with semiannual payments due on April 1 and October 1 of each year until final maturity.

Future maturities, including interest payments, are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 140,000	\$ 6,625	\$ 146,625

Bond transactions for the fiscal year ended June 30, 2005, are as follows:

	<u>Balance 6-30-04</u>	<u>Decrease</u>	<u>Balance 6-30-05</u>
Bonds payable	\$ 380,000	\$ (240,000)	\$ 140,000

The bond issue costs are amortized as part of interest expense in proportion to stated interest requirements. Bond issue costs are amortized over the stated life of the issue, and amounts incurred for advance refundings of prior bond issues are amortized over the shorter of the refunded issue's remaining life or the refunding issue's life. There was no remaining amortization for the year ended June 30, 2005.

Total interest expense, including amortization above, for the year ended June 30, 2005, was \$11,560. No interest was capitalized during the year ended June 30, 2005.

H. Medicaid Reimbursements

The nursing home participates in the Tennessee Medicaid nursing home program and has a significant number of residents who qualify for Medicaid assistance. The Medicaid program reimburses the nursing home based on their operating costs as reported on their annual cost report, which is submitted to the State of Tennessee Comptroller's Office. The amount of room rent paid by Medicaid to the nursing home for the year ended June 30, 2005, was \$4,535,256.

I. Medicare Reimbursements

In May 2004, the nursing home began participation in the Medicare program by admitting residents into skilled nursing care. The Medicare program reimburses the nursing home based on costs it has incurred in administering skilled care, such as physical therapy, to its residents. Reimbursements by Medicare to the nursing home for the year ended June 30, 2005, totaled \$219,359.

J. Risk Financing Activities

The nursing home is a member of the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of

providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all 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 this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

The nursing home is exposed to various risks related to general liability, property, and casualty losses. The nursing home carries commercial insurance to cover their risks related to general liability, property, casualty, officers and directors, and workers' compensation.

Settled claims have not exceeded their commercial coverage in any of the past three years.

VII. OTHER NOTES – DISCRETELY PRESENTED JEFFERSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

General Statement

The Jefferson County Emergency Communications District is a 911 service which receives telephone requests for emergency services and provides for the dispatch of appropriate emergency service units. The district is a component unit of another governmental entity. Jefferson County, Tennessee, is the primary government in whose financial reporting entity the district is included. The district receives a significant portion of its income from the tax revenues of Jefferson County. Also, Jefferson County's legislative body approves board members, debt issues, telephone surcharge rate changes and annual budgets of the district.

The criteria for including organizations as component units within a county's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the county appoints a voting majority of the organization's board
- the county is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the county
- there is a fiscal dependency by the organization on the county

1. **Basis of Presentation**

The financial statements of the district have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the district has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the district are described below.

The entity is a proprietary fund type known as an enterprise fund. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net assets.

2. **Method of Accounting**

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

3. **GASB Statement No. 34**

The district has adopted the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Statement No. 34 establishes standards for external financial reporting for all state and local governmental entities, which includes a Management's Discussion and Analysis section, a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows. It requires the classification of net assets into three components – 1) invested in capital assets, net of related debt service, 2) restricted for debt service, and 3) unrestricted and the presentation of the Statement of Cash Flows using the direct method.

4. **Cash and Cash Equivalents**

For purposes of these financial statements, the district considers all highly liquid investments having original maturity dates of three months or less to be cash equivalents.

5. **Budgetary Principles**

Prior to the beginning of the fiscal year, the Board of Directors adopts an annual budget. All revisions must be approved by the board. All annual appropriations lapse at fiscal year-end.

The district prepares its budget on a basis of accounting that differs from accounting principles generally accepted in the United States of America (GAAP). The major difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP). At June 30, 2005, the district had no encumbrances.

6. **Property, Plant and Equipment**

Property, plant and equipment owned by the district are recorded at cost, or if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Leasehold improvements	15 – 20
Machinery and equipment	5 – 7

7. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. **Operating and Non-Operating Revenues**

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and

include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

B. Cash and Collateral

Cash consisted of the following at June 30, 2005:

At June 30, 2005, all of the district's deposits were either insured by federal depository insurance or guaranteed by bank participation in the Tennessee Bank Collateral Pool.

C. Capital Assets

Capital assets, together with annual depreciation and amortization rates, consist of the following:

<u>Asset</u>	<u>7-1-04</u>	<u>Additions</u>	<u>6-30-05</u>	<u>Annual Rates</u>
Leasehold improvements	\$ 23,765	\$ 0	\$ 23,765	5.0% - 6.7%
Office equipment and furniture	32,862	2,550	35,412	14.3% - 20.0%
Operating equipment	369,975	0	369,975	14.3% - 20.0%
Communication equipment	189,320	7,105	196,425	14.3% - 20.0%
Vehicle	22,778	0	22,778	
	<u>\$ 638,700</u>	<u>\$ 9,655</u>	<u>\$ 648,355</u>	

Depreciation charged to expense totaled \$65,198 for the year ended June 30, 2005. Accumulated depreciation amounted to \$473,166 as of June 30, 2005.

D. Compensated Absences

The vacation year is a calendar year beginning January 1 and ending December 31. Regular full-time employees accrue one day of vacation per month. After five years of service, employees accrue one and one-half days of vacation per month. Employees on vacation are paid at the regular rate of pay during such leave. Employees may accrue annual vacation leave up to a maximum of thirty days. Unpaid vacation leave totaled \$12,025 for the year ended June 30, 2005.

Sick leave is earned by regular full-time employees at the rate of one day per month. Employees may accumulate sick leave up to a maximum of one hundred twenty days. It is management's belief that sick leave does not vest, and therefore, no accrual of such leave has been made.

E. Retirement Commitments

Plan Description

Effective July 1, 2004, employees of the district became members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The prior Section 457(k) defined contribution retirement plan was terminated at that time. The 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 the district participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 6.67 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, the district's annual pension cost of \$24,495 to the TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the initial actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-05	\$24,495	100%	\$0

F. Capitalization of Interest

Interest expense on debt used to finance construction of major fixed assets during the construction phase is capitalized when considered material. There was no capitalized interest for the year ended June 30, 2005.

G. Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district purchases commercial insurance for all of these risks of loss.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Jefferson County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,923,410	\$ 0	\$ 0	\$ 5,923,410	\$ 5,636,000	\$ 5,636,000	\$ 287,410
Licenses and Permits	528,397	0	0	528,397	482,000	482,000	46,397
Fines, Forfeitures and Penalties	250,189	0	0	250,189	177,500	177,500	72,689
Charges for Current Services	2,820,117	0	0	2,820,117	2,469,000	2,476,000	344,117
Other Local Revenues	40,968	0	0	40,968	12,000	19,930	21,038
Fees Received from County Officials	878,147	0	0	878,147	800,000	806,425	71,722
State of Tennessee	654,368	0	0	654,368	666,646	666,646	(12,278)
Federal Government	421,888	0	0	421,888	465,948	468,887	(46,999)
Other Governments and Citizens Groups	136,345	0	0	136,345	130,463	130,463	5,882
Total Revenues	\$ 11,653,829	\$ 0	\$ 0	\$ 11,653,829	\$ 10,839,557	\$ 10,863,851	\$ 789,978
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 182,709	\$ 0	\$ 0	\$ 182,709	\$ 225,900	\$ 225,900	\$ 43,191
Board of Equalization	950	0	0	950	2,500	2,500	1,550
Other Boards and Committees	98	0	0	98	3,500	3,500	3,402
County Mayor	211,181	(121)	0	211,060	232,853	232,853	21,793
Personnel Office	0	0	0	0	1,400	0	0
Election Commission	152,120	(23)	0	152,097	166,177	166,621	14,524
Register of Deeds	50,892	(5,900)	0	44,992	51,100	53,100	8,108
Codes Compliance	74,715	(90)	200	74,825	82,804	82,804	7,979
County Buildings	305,825	(3,322)	9,660	312,163	383,059	384,785	72,622
Other General Administration	4,383	0	0	4,383	7,250	7,250	2,867
Preservation of Records	5,225	0	0	5,225	12,000	12,000	6,775
<u>Finance</u>							
Accounting and Budgeting	1,857	0	1,370	3,227	6,000	6,000	2,773
Property Assessor's Office	203,418	0	0	203,418	208,039	208,039	4,621

(Continued)

Exhibit F-1

Jefferson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	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	\$ 177,046	\$ (150)	\$ 300	\$ 177,196	\$ 177,301	\$ 178,701	\$ 1,505
County Trustee's Office	11,197	0	3,115	14,312	15,706	15,706	1,394
County Clerk's Office	50,491	0	0	50,491	46,300	52,725	2,234
Other Finance	216,035	0	0	216,035	293,000	293,000	76,965
<u>Administration of Justice</u>							
Circuit Court	298,581	(891)	104	297,794	322,872	322,872	25,078
General Sessions Court	183,789	0	400	184,189	191,796	191,796	7,607
Chancery Court	126,005	(580)	26	125,451	139,344	139,344	13,893
Juvenile Court	141,413	(16,748)	586	125,251	134,359	134,359	9,108
<u>Public Safety</u>							
Sheriff's Department	2,448,039	(724)	11,778	2,459,093	2,479,438	2,537,442	78,349
Jail	993,595	(6,228)	14,851	1,002,218	1,062,495	1,062,495	60,277
Public Safety Grant Programs	115,955	(9,310)	34,639	141,284	284,693	284,693	143,409
Other Public Safety	328,000	0	0	328,000	328,000	328,000	0
<u>Public Health and Welfare</u>							
Local Health Center	173,975	0	0	173,975	204,446	204,446	30,471
Rabies and Animal Control	75,004	(225)	340	75,119	84,729	84,729	9,610
Ambulance/Emergency Medical Services	2,987,722	(4,730)	11,434	2,994,426	3,096,669	3,098,756	104,330
General Welfare Assistance	3,580	0	0	3,580	6,700	6,700	3,120
Aid to Dependent Children	1,461	0	0	1,461	3,000	3,000	1,539
Sanitation Education/Information	73,520	(7,525)	0	65,995	77,620	77,620	11,625
Other Public Health and Welfare	144,972	(425)	736	145,283	153,575	154,575	9,292
<u>Social, Cultural and Recreational Services</u>							
Senior Citizens Assistance	163,507	(4,278)	1,187	160,416	166,323	169,262	8,846
Libraries	315,681	(723)	1,161	316,119	284,440	318,173	2,054
Other Social, Cultural and Recreational	61,919	(1,100)	0	60,819	55,995	60,995	176

(Continued)

Exhibit F-1

Jefferson County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	\$ 71,721	\$ 0	\$ 0	\$ 71,721	\$ 81,418	\$ 81,418	\$ 9,697
Soil Conservation	31,345	0	0	31,345	31,333	31,333	(12)
<u>Other Operations</u>							
Veterans' Services	25,618	0	0	25,618	27,112	27,112	1,494
Contributions to Other Agencies	487,436	0	0	487,436	487,436	487,436	0
Employee Benefits	465,982	0	0	465,982	519,400	519,400	53,418
Miscellaneous	0	0	0	0	154,975	0	0
<u>Principal</u>							
General Government	195,516	0	0	195,516	0	195,516	0
<u>Interest</u>							
General Government	4,919	0	0	4,919	0	4,919	0
Total Expenditures	\$ 11,567,397	\$ (63,093)	\$ 91,887	\$ 11,596,191	\$ 12,293,057	\$ 12,451,875	\$ 855,684
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 86,432	\$ 63,093	\$ (91,887)	\$ 57,638	\$ (1,453,500)	\$ (1,588,024)	\$ 1,645,662
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 254,766	\$ 0	\$ 0	\$ 254,766	\$ 0	\$ 254,766	\$ 0
Transfers In	0	0	0	0	3,500	3,500	(3,500)
Transfers Out	(669,300)	0	0	(669,300)	0	(669,300)	0
Total Other Financing Sources (Uses)	\$ (414,534)	\$ 0	\$ 0	\$ (414,534)	\$ 3,500	\$ (411,034)	\$ (3,500)

(Continued)

Exhibit F-1

Jefferson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (328,102)	\$ 63,093	\$ (91,887)	\$ (356,896)	\$ (1,450,000)	\$ (1,999,058)	\$ 1,642,162
Fund Balance, July 1, 2004	4,111,336	(63,093)	0	4,048,243	1,450,000	2,154,033	1,894,210
Fund Balance, June 30, 2005	\$ 3,783,234	\$ 0	\$ (91,887)	\$ 3,691,347	\$ 0	\$ 154,975	\$ 3,536,372

Exhibit F-2

Jefferson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,238,550	\$ 1,207,000	\$ 1,207,000	\$ 31,550
State of Tennessee	8,659	0	0	8,659
Total Revenues	<u>\$ 1,247,209</u>	<u>\$ 1,207,000</u>	<u>\$ 1,207,000</u>	<u>\$ 40,209</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 1,143,719	\$ 1,254,500	\$ 1,240,500	\$ 96,781
<u>Other Operations</u>				
Other Charges	19,437	6,000	20,000	563
Total Expenditures	<u>\$ 1,163,156</u>	<u>\$ 1,260,500</u>	<u>\$ 1,260,500</u>	<u>\$ 97,344</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 84,053</u>	<u>\$ (53,500)</u>	<u>\$ (53,500)</u>	<u>\$ 137,553</u>
Net Change in Fund Balance	\$ 84,053	\$ (53,500)	\$ (53,500)	\$ 137,553
Fund Balance, July 1, 2004	<u>489,398</u>	<u>53,500</u>	<u>53,500</u>	<u>435,898</u>
Fund Balance, June 30, 2005	<u>\$ 573,451</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 573,451</u>

Exhibit F-3

Jefferson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,230,946	\$ 1,201,500	\$ 1,201,500	\$ 29,446
Charges for Current Services	60,822	50,000	50,000	10,822
Other Local Revenues	4,841	300	4,000	841
State of Tennessee	1,672,501	1,880,810	1,880,810	(208,309)
Other Governments and Citizens Groups	62,400	0	62,400	0
Total Revenues	<u>\$ 3,031,510</u>	<u>\$ 3,132,610</u>	<u>\$ 3,198,710</u>	<u>\$ (167,200)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 163,480	\$ 171,760	\$ 173,545	\$ 10,065
Highway and Bridge Maintenance	1,116,057	1,397,310	1,398,880	282,823
Operation and Maintenance of Equipment	573,358	542,590	589,150	15,792
Quarry Operations	440,714	495,300	524,055	83,341
Asphalt Plant Operations	9,991	30,000	30,000	20,009
Other Charges	78,811	99,400	99,400	20,589
Employee Benefits	637,549	701,150	683,630	46,081
Capital Outlay	1,250	161,600	166,550	165,300
Total Expenditures	<u>\$ 3,021,210</u>	<u>\$ 3,599,110</u>	<u>\$ 3,665,210</u>	<u>\$ 644,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,300</u>	<u>\$ (466,500)</u>	<u>\$ (466,500)</u>	<u>\$ 476,800</u>
Net Change in Fund Balance	\$ 10,300	\$ (466,500)	\$ (466,500)	\$ 476,800
Fund Balance, July 1, 2004	867,446	466,500	867,446	0
Fund Balance, June 30, 2005	<u>\$ 877,746</u>	<u>\$ 0</u>	<u>\$ 400,946</u>	<u>\$ 476,800</u>

JEFFERSON COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

A. Budgetary Information

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Other Boards and Committees, County Mayor, etc.). Management may make revisions within major categories, but only the governing body 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. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

B. Actual Fund Balances Exceeded Estimated Beginning Fund Balances by Material Amounts

The General Fund's estimated fund balance reflected in the county's budget at July 1, 2004, was \$2,154,033; however, the actual fund balance at July 1, 2004, was \$4,082,243. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by \$1,928,210. Also, the Solid Waste/Sanitation Fund's estimated fund balance reflected in the county's budget at July 1, 2004, was \$53,500; however, the actual fund balance at July 1, 2004, was \$489,398. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission by \$435,898.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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 Fund

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the expenditures of the county’s justice center building project.

Exhibit G-1

Jefferson County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<u>ASSETS</u>							
Cash	\$ 0	\$ 165,091	\$ 165,091	\$ 0	\$ 0	\$ 0	\$ 165,091
Equity in Pooled Cash and Investments	32,896	0	32,896	651,510	195,838	847,348	880,244
Accounts Receivable	0	420	420	342	0	342	762
Property Taxes Receivable	0	0	0	270,779	0	270,779	270,779
Allowance for Uncollectible Property Taxes	0	0	0	(5,695)	0	(5,695)	(5,695)
Total Assets	\$ 32,896	\$ 165,511	\$ 198,407	\$ 916,936	\$ 195,838	\$ 1,112,774	\$ 1,311,181
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Contracts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 589,334	\$ 589,334	\$ 589,334
Due to Other Funds	0	540	540	0	0	0	540
Deferred Revenue - Current Property Taxes	0	0	0	254,398	0	254,398	254,398
Deferred Revenue - Delinquent Property Taxes	0	0	0	8,541	0	8,541	8,541
Total Liabilities	\$ 0	\$ 540	\$ 540	\$ 262,939	\$ 589,334	\$ 852,273	\$ 852,813
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 3,856	\$ 0	\$ 3,856	\$ 20,930	\$ 14,525,903	\$ 14,546,833	\$ 14,550,689
Unreserved (Deficit)	29,040	164,971	194,011	633,067	(14,919,399)	(14,286,332)	(14,092,321)
Total Fund Balances	\$ 32,896	\$ 164,971	\$ 197,867	\$ 653,997	\$ (393,496)	\$ 260,501	\$ 458,368
Total Liabilities and Fund Balances	\$ 32,896	\$ 165,511	\$ 198,407	\$ 916,936	\$ 195,838	\$ 1,112,774	\$ 1,311,181

Exhibit G-2

Jefferson County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	Other Capital Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 275,177	\$ 0	\$ 275,177	\$ 275,177
Fines, Forfeitures and Penalties	33,816	0	33,816	0	0	0	33,816
Charges for Current Services	0	789,904	789,904	0	0	0	789,904
Other Local Revenues	261	0	261	0	0	0	261
Federal Government	10,381	0	10,381	0	0	0	10,381
Total Revenues	\$ 44,458	\$ 789,904	\$ 834,362	\$ 275,177	\$ 0	\$ 275,177	\$ 1,109,539
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 724,390	\$ 724,390	\$ 0	\$ 0	\$ 0	\$ 724,390
Finance	330	0	330	0	0	0	330
Public Safety	87,953	0	87,953	0	0	0	87,953
Debt Service:							
Other Debt Service	0	0	0	0	99,000	99,000	99,000
Capital Projects	0	0	0	165,166	1,187,555	1,352,721	1,352,721
Total Expenditures	\$ 88,283	\$ 724,390	\$ 812,673	\$ 165,166	\$ 1,286,555	\$ 1,451,721	\$ 2,264,394
Excess (Deficiency) of Revenues Over Expenditures	\$ (43,825)	\$ 65,514	\$ 21,689	\$ 110,011	\$ (1,286,555)	\$ (1,176,544)	\$ (1,154,855)
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 99,000	\$ 99,000	\$ 99,000
Transfers In	0	0	0	0	669,300	669,300	669,300
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 768,300	\$ 768,300	\$ 768,300
Net Change in Fund Balances	\$ (43,825)	\$ 65,514	\$ 21,689	\$ 110,011	\$ (518,255)	\$ (408,244)	\$ (386,555)
Fund Balance, July 1, 2004	76,721	99,457	176,178	543,986	124,759	668,745	844,923
Fund Balance, June 30, 2005	\$ 32,896	\$ 164,971	\$ 197,867	\$ 653,997	\$ (393,496)	\$ 260,501	\$ 458,368

Exhibit G-3

Jefferson 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, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures and Penalties	\$ 33,816	\$ 0	\$ 33,816	\$ 25,000	\$ 25,000	\$ 8,816
Other Local Revenues	261	0	261	0	4,900	(4,639)
Federal Government	10,381	0	10,381	0	0	10,381
Total Revenues	<u>\$ 44,458</u>	<u>\$ 0</u>	<u>\$ 44,458</u>	<u>\$ 25,000</u>	<u>\$ 29,900</u>	<u>\$ 14,558</u>
<u>Expenditures</u>						
<u>Finance</u>						
Other Finance	\$ 330	\$ 0	\$ 330	\$ 900	\$ 900	\$ 570
<u>Public Safety</u>						
Drug Enforcement	87,953	3,856	91,809	79,100	84,000	(7,809)
Total Expenditures	<u>\$ 88,283</u>	<u>\$ 3,856</u>	<u>\$ 92,139</u>	<u>\$ 80,000</u>	<u>\$ 84,900</u>	<u>\$ (7,239)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (43,825)</u>	<u>\$ (3,856)</u>	<u>\$ (47,681)</u>	<u>\$ (55,000)</u>	<u>\$ (55,000)</u>	<u>\$ 7,319</u>
Net Change in Fund Balance	\$ (43,825)	\$ (3,856)	\$ (47,681)	\$ (55,000)	\$ (55,000)	\$ 7,319
Fund Balance, July 1, 2004	76,721	0	76,721	55,000	55,000	21,721
Fund Balance, June 30, 2005	<u>\$ 32,896</u>	<u>\$ (3,856)</u>	<u>\$ 29,040</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,040</u>

Exhibit G-4

Jefferson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Capital Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 275,177	\$ 0	\$ 275,177	\$ 268,000	\$ 268,000	\$ 7,177
Total Revenues	\$ 275,177	\$ 0	\$ 275,177	\$ 268,000	\$ 268,000	\$ 7,177
<u>Expenditures</u>						
<u>Capital Projects</u>						
Other General Government Projects	\$ 34,553	\$ 20,930	\$ 55,483	\$ 325,000	\$ 325,000	\$ 269,517
Highway & Street Capital Projects	130,613	0	130,613	133,000	133,000	2,387
Total Expenditures	\$ 165,166	\$ 20,930	\$ 186,096	\$ 458,000	\$ 458,000	\$ 271,904
Excess (Deficiency) of Revenues Over Expenditures	\$ 110,011	\$ (20,930)	\$ 89,081	\$ (190,000)	\$ (190,000)	\$ 279,081
Net Change in Fund Balance	\$ 110,011	\$ (20,930)	\$ 89,081	\$ (190,000)	\$ (190,000)	\$ 279,081
Fund Balance, July 1, 2004	543,986	0	543,986	300,000	300,000	243,986
Fund Balance, June 30, 2005	\$ 653,997	\$ (20,930)	\$ 633,067	\$ 110,000	\$ 110,000	\$ 523,067

Major Governmental Fund

General Debt Service Fund

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

Exhibit H

Jefferson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,058,972	\$ 1,975,000	\$ 1,975,000	\$ 83,972
Other Local Revenues	337,976	490,000	200,000	137,976
Other Governments and Citizens Groups	262,500	0	290,000	(27,500)
Total Revenues	<u>\$ 2,659,448</u>	<u>\$ 2,465,000</u>	<u>\$ 2,465,000</u>	<u>\$ 194,448</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 270,000	\$ 420,000	\$ 420,000	\$ 150,000
Education	665,000	665,000	665,000	0
<u>Interest</u>				
General Government	12,988	14,988	14,988	2,000
Education	969,676	1,429,703	1,429,703	460,027
<u>Other Debt Service</u>				
General Government	35,842	68,000	68,000	32,158
Total Expenditures	<u>\$ 1,953,506</u>	<u>\$ 2,597,691</u>	<u>\$ 2,597,691</u>	<u>\$ 644,185</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 705,942</u>	<u>\$ (132,691)</u>	<u>\$ (132,691)</u>	<u>\$ 838,633</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 100,000	\$ 100,000	\$ 100,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 805,942	\$ (32,691)	\$ (32,691)	\$ 838,633
Fund Balance, July 1, 2004	6,121,834	1,300,000	1,300,000	4,821,834
Fund Balance, June 30, 2005	<u>\$ 6,927,776</u>	<u>\$ 1,267,309</u>	<u>\$ 1,267,309</u>	<u>\$ 5,660,467</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county 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.

Cities - Property Tax Fund – The Cities - Property Tax Fund is used to account for city property taxes levied by the Town of Dandridge and the City of Baneberry, and collected by the county trustee for the benefit of the cities. These revenues are forwarded to the Town of Dandridge and the City of Baneberry by the county trustee on a monthly basis.

Joint Venture Fund – The Joint Venture Fund is used to account for revenues received by the county trustee from Jefferson Memorial Hospital, Inc. These funds are held by the county trustee for the board established by the county and Jefferson City.

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 to other county funds, litigants, heirs, and others.

Exhibit I-1

Jefferson County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>				
	Cities - Sales Tax	Cities - Property Tax	Joint Venture	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 936,585	\$ 936,585
Equity in Pooled Cash and Investments	0	2,788	3,317,215	0	3,320,003
Accounts Receivable	0	0	0	2,512	2,512
Due from Other Governments	530,378	0	0	0	530,378
Property Taxes Receivable	0	653,762	0	0	653,762
Allowance for Uncollectible Property Taxes	0	(11,115)	0	0	(11,115)
Total Assets	<u>\$ 530,378</u>	<u>\$ 645,435</u>	<u>\$ 3,317,215</u>	<u>\$ 939,097</u>	<u>\$ 5,432,125</u>
<u>LIABILITIES</u>					
Due to Other Taxing Units	\$ 530,378	\$ 645,435	\$ 0	\$ 0	\$ 1,175,813
Due to Litigants, Heirs, and Others	0	0	0	939,097	939,097
Due to Joint Ventures	0	0	3,317,215	0	3,317,215
Total Liabilities	<u>\$ 530,378</u>	<u>\$ 645,435</u>	<u>\$ 3,317,215</u>	<u>\$ 939,097</u>	<u>\$ 5,432,125</u>

Exhibit I-2

Jefferson County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,952,240	\$ 2,952,240	\$ 0
Due From Other Governments	516,954	530,378	516,954	530,378
Total Assets	\$ 516,954	\$ 3,482,618	\$ 3,469,194	\$ 530,378
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 516,954	\$ 3,482,618	\$ 3,469,194	\$ 530,378
Total Liabilities	\$ 516,954	\$ 3,482,618	\$ 3,469,194	\$ 530,378
<u>Cities - Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 11,541	\$ 621,342	\$ 630,095	\$ 2,788
Property Taxes Receivable	650,119	653,762	650,119	653,762
Allowance for Uncollectible Property Taxes	(15,580)	(11,115)	(15,580)	(11,115)
Total Assets	\$ 646,080	\$ 1,263,989	\$ 1,264,634	\$ 645,435
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 646,080	1,263,989	\$ 1,264,634	\$ 645,435
Total Liabilities	\$ 646,080	\$ 1,263,989	\$ 1,264,634	\$ 645,435
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 3,260,327	\$ 56,888	\$ 0	\$ 3,317,215
Total Assets	\$ 3,260,327	\$ 56,888	\$ 0	\$ 3,317,215
<u>Liabilities</u>				
Due to Joint Venture	\$ 3,260,327	\$ 56,888	\$ 0	\$ 3,317,215
Total Liabilities	\$ 3,260,327	\$ 56,888	\$ 0	\$ 3,317,215

(Continued)

Exhibit I-2

Jefferson County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds, (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,090,951	\$ 10,266,954	\$ 10,421,320	\$ 936,585
Accounts Receivable	3,222	2,512	3,222	2,512
Total Assets	<u>\$ 1,094,173</u>	<u>\$ 10,269,466</u>	<u>\$ 10,424,542</u>	<u>\$ 939,097</u>
<u>Liabilities</u>				
Due to Other Funds	\$ 266	\$ 0	\$ 266	\$ 0
Due to Litigants, Heirs, and Others	1,093,907	10,269,466	10,424,276	939,097
Total Liabilities	<u>\$ 1,094,173</u>	<u>\$ 10,269,466</u>	<u>\$ 10,424,542</u>	<u>\$ 939,097</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,090,951	\$ 10,266,954	\$ 10,421,320	\$ 936,585
Equity in Pooled Cash and Investments	3,271,868	3,630,470	3,582,335	3,320,003
Accounts Receivable	3,222	2,512	3,222	2,512
Due From Other Governments	516,954	530,378	516,954	530,378
Property Taxes Receivable	650,119	653,762	650,119	653,762
Allowance for Uncollectible Property Taxes	(15,580)	(11,115)	(15,580)	(11,115)
Total Assets	<u>\$ 5,517,534</u>	<u>\$ 15,072,961</u>	<u>\$ 15,158,370</u>	<u>\$ 5,432,125</u>
<u>Liabilities</u>				
Due to Other Funds	\$ 266	\$ 0	\$ 266	\$ 0
Due to Other Taxing Units	1,163,034	4,746,607	4,733,828	1,175,813
Due to Litigants, Heirs, and Others	1,093,907	10,269,466	10,424,276	939,097
Due to Joint Venture	3,260,327	56,888	0	3,317,215
Total Liabilities	<u>\$ 5,517,534</u>	<u>\$ 15,072,961</u>	<u>\$ 15,158,370</u>	<u>\$ 5,432,125</u>

Jefferson County School Department

This section presents the combining and individual fund financial statements for the Jefferson County School Department, a discretely presented component unit. The School Department uses a General Fund, a Special Revenue Fund, an Internal Service Fund, and one Employee Benefit Trust Fund.

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.

Employee Insurance - Dental and Vision Fund – The Employee Insurance - Dental and Vision Fund is an internal service fund which is used to account for transactions pertaining to the Jefferson County School Department's self-insured group dental and vision plans.

Employee Benefit Trust - Flexible Benefits Fund – The Employee Benefit Trust - Flexible Benefits Fund is a trust fund which is used to account for assets held by the School Department in a trustee capacity for the School Department employees' flexible benefits program.

Jefferson County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Jefferson County School Department
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total Govern- mental Funds</u>
	General Purpose School	School Federal Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 4,489,716	\$ 113,060	\$ 4,602,776
Accounts Receivable	8,493	16,509	25,002
Due from Other Governments	1,082,193	138,482	1,220,675
Property Taxes Receivable	5,785,700	0	5,785,700
Allowance for Uncollectible Property Taxes	(114,672)	0	(114,672)
Total Assets	<u>\$ 11,251,430</u>	<u>\$ 268,051</u>	<u>\$ 11,519,481</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 262,620	\$ 1,817	\$ 264,437
Payroll Deductions Payable	1,305,382	182,471	1,487,853
Deferred Revenue - Current Property Taxes	5,427,175	0	5,427,175
Deferred Revenue - Delinquent Property Taxes	203,034	0	203,034
Other Deferred Revenues	495,170	0	495,170
Total Liabilities	<u>\$ 7,693,381</u>	<u>\$ 184,288</u>	<u>\$ 7,877,669</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 828,113	\$ 0	\$ 828,113
Reserved for Food Service	352,805	0	352,805
Other Local Education Reserves	112,535	0	112,535
Reserved for Career Ladder - Extended Contract	1,741	0	1,741
Reserved for Career Ladder Program	698	0	698
Reserved for Technology	22,804	0	22,804
Reserved for Title I Grants to Local Education Agencies	0	18,232	18,232
Reserved for Innovative Education Program Strategies	0	8,340	8,340
Reserved for Special Education - Grants to States	0	49,331	49,331
Other Federal Reserves	0	7,860	7,860
Unreserved, Reported In:			
General Fund	2,239,353	0	2,239,353
Total Fund Balances	<u>\$ 3,558,049</u>	<u>\$ 83,763</u>	<u>\$ 3,641,812</u>
Total Liabilities and Fund Balances	<u>\$ 11,251,430</u>	<u>\$ 268,051</u>	<u>\$ 11,519,481</u>

Jefferson County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Discretely Presented Jefferson County School Department
June 30, 2005

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-1)	\$	3,641,812
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		20,646,353
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		698,204
(3) An internal service fund is used by management to charge the cost of employee dental and vision benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		104,042
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Accrued leave	\$	697,152
Retirement incentive payable		79,123
		<u>(776,275)</u>
Net assets of governmental activities (Exhibit A)	\$	<u>24,314,136</u>

Exhibit J-3

Jefferson County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Jefferson County School Department
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Fund</u>	
	General Purpose School	School Federal Projects	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 9,369,347	\$ 0	\$ 9,369,347
Licenses and Permits	2,508	0	2,508
Charges for Current Services	1,491,333	0	1,491,333
Other Local Revenues	102,482	0	102,482
State of Tennessee	26,880,234	0	26,880,234
Federal Government	1,582,817	3,861,259	5,444,076
Total Revenues	<u>\$ 39,428,721</u>	<u>\$ 3,861,259</u>	<u>\$ 43,289,980</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 24,030,032	\$ 2,568,053	\$ 26,598,085
Support Services	12,680,384	1,214,683	13,895,067
Operation of Non-Instructional Services	2,703,477	0	2,703,477
Capital Outlay	641,795	0	641,795
Total Expenditures	<u>\$ 40,055,688</u>	<u>\$ 3,782,736</u>	<u>\$ 43,838,424</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (626,967)</u>	<u>\$ 78,523</u>	<u>\$ (548,444)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 93,319	\$ 0	\$ 93,319
Transfers Out	0	(93,319)	(93,319)
Total Other Financing Sources (Uses)	<u>\$ 93,319</u>	<u>\$ (93,319)</u>	<u>\$ 0</u>
Net Change in Fund Balances	<u>\$ (533,648)</u>	<u>\$ (14,796)</u>	<u>\$ (548,444)</u>
Fund Balance, July 1, 2004	4,091,697	98,559	4,190,256
Fund Balance, June 30, 2005	<u>\$ 3,558,049</u>	<u>\$ 83,763</u>	<u>\$ 3,641,812</u>

Exhibit J-4

Jefferson County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Jefferson County School Department
For the Year Ended June 30, 2005

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-3)		\$ (548,444)
(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 amount that capital outlays exceeded depreciation is itemized as follows:		
Add: Capital outlays in the current period	\$ 1,052,987	
Less: Current year depreciation	<u>(1,008,769)</u>	44,218
(2) Donated capital assets do not generate current financial resources and are therefore not recognized in the governmental funds. This adjustment reflects capital assets donated during the current period.		321,730
(3) Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains or losses are recorded for disposals.		
Less: Proceeds received from disposition of capital assets	\$ (6,150)	
Less: Loss on disposals of capital assets	<u>(6,645)</u>	(12,795)
(4) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
For the year ended June 30, 2004	\$ (618,503)	
For the year ended June 30, 2005	<u>698,204</u>	79,701
(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 compensated absences	\$ 15,267	
Change in retirement incentive	<u>(52,749)</u>	(37,482)
(6) Internal service funds are used by management to charge the cost of employee dental and vision benefits to individual funds. The net expenses of certain activities of the internal service funds is reported with governmental activities in the statement of activities.		<u>21,111</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (131,961)</u>

Exhibit J-5

Jefferson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Jefferson County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 9,369,347	\$ 0	\$ 0	\$ 9,369,347	\$ 9,238,023	\$ 9,239,873	\$ 129,474
Licenses and Permits	2,508	0	0	2,508	3,000	3,000	(492)
Charges for Current Services	1,491,333	0	0	1,491,333	1,578,000	1,589,207	(97,874)
Other Local Revenues	102,482	0	0	102,482	134,480	157,036	(54,554)
State of Tennessee	26,880,234	0	0	26,880,234	26,752,190	26,944,318	(64,084)
Federal Government	1,582,817	0	0	1,582,817	1,552,518	1,596,373	(13,556)
Total Revenues	\$ 39,428,721	\$ 0	\$ 0	\$ 39,428,721	\$ 39,258,211	\$ 39,529,807	\$ (101,086)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 20,656,530	\$ 0	\$ 0	\$ 20,656,530	\$ 20,624,119	\$ 20,905,414	\$ 248,884
Alternative Instruction Program	245,625	0	0	245,625	225,000	248,800	3,175
Special Education Program	1,992,418	0	0	1,992,418	2,007,124	2,020,104	27,686
Vocational Education Program	1,027,339	0	0	1,027,339	1,011,970	1,030,813	3,474
Adult Education Program	108,120	0	0	108,120	130,958	108,936	816
<u>Support Services</u>							
Attendance	53,791	0	0	53,791	55,403	55,647	1,856
Health Services	159,977	0	0	159,977	182,554	179,054	19,077
Other Student Support	1,086,859	0	0	1,086,859	1,106,345	1,099,500	12,641
Regular Instruction Program	1,424,457	0	0	1,424,457	1,435,755	1,447,499	23,042
Special Education Program	433,321	0	0	433,321	466,119	465,569	32,248
Vocational Education Program	101,650	0	0	101,650	107,513	105,257	3,607
Adult Programs	84,289	0	0	84,289	90,572	85,429	1,140
Board of Education	687,170	0	0	687,170	677,473	706,747	19,577
Director of Schools	259,222	0	0	259,222	256,524	260,838	1,616
Office of the Principal	2,441,272	0	0	2,441,272	2,512,462	2,466,113	24,841

(Continued)

Exhibit J-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 218,887	\$ 0	\$ 0	\$ 218,887	\$ 222,463	\$ 240,213	\$ 21,326
Operation of Plant	2,797,397	(48,120)	7,250	2,756,527	2,795,422	2,841,994	85,467
Maintenance of Plant	865,515	0	22,581	888,096	780,565	894,867	6,771
Transportation	2,066,577	0	0	2,066,577	2,097,603	2,098,230	31,653
<u>Operation of Non-Instructional Services</u>							
Food Service	2,351,448	0	0	2,351,448	2,605,432	2,605,432	253,984
Community Services	352,029	0	0	352,029	383,999	385,249	33,220
<u>Capital Outlay</u>							
Regular Capital Outlay	641,795	0	798,282	1,440,077	0	1,442,717	2,640
Total Expenditures	\$ 40,055,688	\$ (48,120)	\$ 828,113	\$ 40,835,681	\$ 39,775,375	\$ 41,694,422	\$ 858,741
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (626,967)	\$ 48,120	\$ (828,113)	\$ (1,406,960)	\$ (517,164)	\$ (2,164,615)	\$ 757,655
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 93,319	\$ 0	\$ 0	\$ 93,319	\$ 104,422	\$ 103,643	\$ (10,324)
Total Other Financing Sources (Uses)	\$ 93,319	\$ 0	\$ 0	\$ 93,319	\$ 104,422	\$ 103,643	\$ (10,324)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2004	\$ (533,648)	\$ 48,120	\$ (828,113)	\$ (1,313,641)	\$ (412,742)	\$ (2,060,972)	\$ 747,331
	4,091,697	(48,120)	0	4,043,577	412,742	2,060,972	1,982,605
Fund Balance, June 30, 2005	\$ 3,558,049	\$ 0	\$ (828,113)	\$ 2,729,936	\$ 0	\$ 0	\$ 2,729,936

Exhibit J-6

Jefferson County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Jefferson County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,861,259	\$ 3,918,969	\$ 3,970,217	\$ (108,958)
Total Revenues	\$ 3,861,259	\$ 3,918,969	\$ 3,970,217	\$ (108,958)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,534,678	\$ 1,484,316	\$ 1,568,154	\$ 33,476
Special Education Program	942,644	1,026,000	989,024	46,380
Vocational Education Program	90,731	115,857	100,311	9,580
<u>Support Services</u>				
Health Services	169,238	170,940	169,626	388
Other Student Support	179,147	215,711	219,819	40,672
Regular Instruction Program	428,007	527,874	464,742	36,735
Special Education Program	237,370	182,909	243,456	6,086
Vocational Education Program	160,430	120,547	167,746	7,316
Office of the Principal	2,263	0	3,396	1,133
Transportation	38,228	34,516	38,859	631
Total Expenditures	\$ 3,782,736	\$ 3,878,670	\$ 3,965,133	\$ 182,397
Excess (Deficiency) of Revenues Over Expenditures	\$ 78,523	\$ 40,299	\$ 5,084	\$ 73,439
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (93,319)	\$ (104,422)	\$ (103,643)	\$ 10,324
Total Other Financing Sources (Uses)	\$ (93,319)	\$ (104,422)	\$ (103,643)	\$ 10,324
Net Change in Fund Balance	\$ (14,796)	\$ (64,123)	\$ (98,559)	\$ 83,763
Fund Balance, July 1, 2004	98,559	64,123	98,559	0
Fund Balance, June 30, 2005	\$ 83,763	\$ 0	\$ 0	\$ 83,763

Exhibit J-7

Jefferson County, Tennessee
Statement of Net Assets
Proprietary Fund
Discretely Presented Jefferson County School Department
June 30, 2005

	Governmental Activities- Internal Service Fund <hr/> Employee Insurance - Dental and Vision <hr/>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 15,364
Equity in Pooled Cash and Investments	<u>127,919</u>
Total Assets	<u>\$ 143,283</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	<u>\$ 39,241</u>
Total Liabilities	<u>\$ 39,241</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 104,042</u>
Total Net Assets	<u><u>\$ 104,042</u></u>

Exhibit J-8

Jefferson County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
Discretely Presented Jefferson County School Department
For the Year Ended June 30, 2005

	Governmental Activities - Internal Service Fund
	<u>Employee Insurance - Dental and Vision</u>
<u>Operating Revenues</u>	
Self Insurance Premiums/Contributions	\$ 283,684
Total Operating Revenues	<u>\$ 283,684</u>
<u>Operating Expenses</u>	
Handling Charges and Administrative Costs	\$ 21,166
Other Self-Insured Claims	241,407
Total Operating Expenses	<u>\$ 262,573</u>
Operating Income (Loss)	<u>\$ 21,111</u>
Changes in Net Assets	\$ 21,111
Net Assets, July 1, 2004	<u>82,931</u>
Net Assets, June 30, 2005	<u><u>\$ 104,042</u></u>

Exhibit J-9

Jefferson County, Tennessee
Statement of Cash Flows
Proprietary Fund
Discretely Presented Jefferson County School Department
For the Year Ended June 30, 2005

	Governmental Activities- Internal Service Fund
	Employee Insurance - Dental and Vision
	<hr/>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts for self-insurance premiums	\$ 283,684
Payments for claims	(229,487)
Payments for administrative costs	(21,166)
Net cash provided by (used in) operating activities	<hr/> <u>\$ 33,031</u>
Increase (decrease) in cash and cash equivalents	\$ 33,031
Cash and cash equivalents, July 1, 2004	<hr/> 110,252
Cash and cash equivalents, June 30, 2005	<hr/> <u>\$ 143,283</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ 21,111
Adjustment to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Changes in Assets and Liabilities:	
Increase (decrease) in accounts payable	<hr/> 11,920
Net cash provided by (used in) operating activities	<hr/> <u>\$ 33,031</u>
<u>RECONCILIATION OF CASH AND CASH EQUILIVANTS</u>	
<u>WITH NET ASSETS</u>	
Cash per Net Assets	\$ 15,364
Equity in Pooled Cash and Investments per Net Assets	<hr/> 127,919
Cash and cash equivalents, June 30, 2005	<hr/> <u>\$ 143,283</u>

Jefferson County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Fund
Discretely Presented Jefferson County School Department
June 30, 2005

	<u>Other Employee Benefit Trust - Flexible Benefits</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 26,174
Total Assets	<u>\$ 26,174</u>
<u>NET ASSETS</u>	
Held in Trust for Employee Benefits	<u><u>\$ 26,174</u></u>

Jefferson County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Discretely Presented Jefferson County School Department
For the Year Ended June 30, 2005

	Other Employee Benefit Trust - Flexible Benefits
<u>ADDITIONS</u>	
Contributions	\$ 67,740
Total Additions	<u>\$ 67,740</u>
<u>DEDUCTIONS</u>	
Other Fringe Benefits	\$ 55,459
Total Deductions	<u>\$ 55,459</u>
Change in Net Assets	\$ 12,281
Net Assets, July 1, 2004	<u>13,893</u>
Net Assets, June 30, 2005	<u><u>\$ 26,174</u></u>

MISCELLANEOUS SCHEDULES

Jefferson County, Tennessee
Schedule of Changes in Other Loans, Capital Leases, and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Constructions and Renovations IIIC-5	\$ 10,000,000	4.96 % (1)	10-1-1998	5-25-23	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
School Constructions and Renovations IIID-3	10,000,000	Variable	10-21-1999	6-1-19	10,000,000	0	0	10,000,000
School Constructions and Renovations IVB-10	5,000,000	Variable	1-27-00	6-1-12	5,000,000	0	200,000	4,800,000
Local Government Public Improvements D-2-A	(2)	Variable	6-30-05	6-1-26	0	99,000	0	99,000
Total Other Loans Payable					<u>\$ 25,000,000</u>	<u>\$ 99,000</u>	<u>\$ 200,000</u>	<u>\$ 24,899,000</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Patrol Cars	114,072	5.3	9-25-02	9-25-04	\$ 37,989	\$ 0	\$ 37,989	\$ 0
Patrol Cars	210,110	4.15	3-10-03	3-10-05	69,999	0	69,999	0
Patrol Cars	254,766	3.1	8-16-04	8-16-06	0	254,766	87,528	167,238
Total Capital Leases Payable					<u>\$ 107,988</u>	<u>\$ 254,766</u>	<u>\$ 195,516</u>	<u>\$ 167,238</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Refunding - Schools	4,930,000	3.8 to 4.9	12-1-1997	4-1-10	\$ 3,110,000	\$ 0	\$ 465,000	\$ 2,645,000
General Obligation Refunding	1,500,000	2 to 3.25	5-30-02	10-1-05	545,000	0	270,000	275,000
Total Bonds Payable					<u>\$ 3,655,000</u>	<u>\$ 0</u>	<u>\$ 735,000</u>	<u>\$ 2,920,000</u>

(1) - This issue was swapped to a synthetic fixed rate by execution of swap agreement.

(2) - Total amount available under this loan agreement is \$15,000,000 of which \$99,000 had been drawn as of June 30, 2005.

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 760,000	\$ 129,746	\$ 889,746
2007	505,000	102,968	607,968
2008	530,000	79,486	609,486
2009	550,000	54,575	604,575
2010	575,000	28,175	603,175
Total	<u>\$ 2,920,000</u>	<u>\$ 394,950</u>	<u>\$ 3,314,950</u>

Exhibit K-3

Jefferson County, Tennessee
Schedule of Transfers - All Funds and Discretely Presented Jefferson County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Other Capital Projects	For Justice Center capital project	\$ 669,300
Solid Waste/Disposal	General Debt Service	For retirement of debt	100,000
<u>School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>93,319</u>
Total Transfers			<u><u>\$ 862,619</u></u>

Jefferson County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 62,333	\$ 50,000	Ohio Casualty Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	59,365	100,000	Hartford Fire Insurance Company
Director of Schools	State Board of Education and Jefferson County Board of Education	92,936 (1)	150,000	Tennessee School Boards Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	53,969	1,286,400	Ohio Casualty Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	53,969	10,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	53,969	50,000	Ohio Casualty Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	53,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	53,969	50,000	State Automobile Mutual Insurance Company
Register	Section 8-24-102, <u>TCA</u>	53,969	25,000	Ohio Casualty Company
Sheriff	Section 8-24-102, <u>TCA</u>	59,365	25,000	"
Employee Blanket Bonds:				
County Employees'			100,000	Hartford Fire Insurance Company
School Department Employees'			150,000	Tennessee School Boards Risk Management Trust

(1) - Includes chief executive officer training supplement of \$1,000.

Jefferson County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2005

Exhibit K-5

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 4,784,377	\$ 1,155,747	\$ 0	\$ 0	\$ 1,156,638	\$ 1,027,331	\$ 258,615	\$ 8,382,708
Trustee's Collections - Prior Year	153,276	47,433	0	0	42,163	42,163	8,759	293,794
Circuit/Clerk & Master Collections - Prior Years	78,814	20,267	0	0	18,015	18,015	4,504	139,615
Interest and Penalty	31,072	7,896	0	0	7,202	7,018	1,755	54,943
Pick-up Taxes	11,024	2,691	0	0	2,671	2,392	598	19,376
Payments in Lieu of Taxes - Local Utilities	7,297	2,034	0	0	1,775	1,578	394	13,078
Payments in Lieu of Taxes - Other	52	0	0	0	0	0	0	52
<u>County Local Option Taxes</u>								
Hotel/Motel Tax	179,483	0	0	0	0	0	0	179,483
Wheel Tax	0	0	0	0	0	958,268	0	958,268
Litigation Tax - General	156,381	0	0	0	0	0	0	156,381
Litigation Tax - Special Purpose	2,626	0	0	0	0	0	0	2,626
Litigation Tax - Jail, Workhouse, or Courthouse	111,238	0	0	0	0	0	0	111,238
Business Tax	283,895	0	0	0	0	0	0	283,895
<u>Statutory Local Taxes</u>								
Bank Excise Tax	10,205	2,482	0	0	2,482	2,207	552	17,928
Wholesale Beer Tax	113,670	0	0	0	0	0	0	113,670
Total Local Taxes	\$ 5,923,410	\$ 1,238,550	\$ 0	\$ 0	\$ 1,230,946	\$ 2,058,972	\$ 275,177	\$ 10,727,055
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	\$ 1,254	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,254
Cable TV Franchise	26,582	0	0	0	0	0	0	26,582
<u>Permits</u>								
Beer Permits	1,188	0	0	0	0	0	0	1,188
Building Permits	321,108	0	0	0	0	0	0	321,108
Other Permits	178,265	0	0	0	0	0	0	178,265
Total Licenses and Permits	\$ 528,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 528,397
<u>Fines, Forfeitures and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 11,312	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,312

(Continued)

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

Exhibit K-5

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Fines, Forfeitures and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Officers Costs	\$ 5,515	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,515
Drug Control Fines	0	0	8,540	0	0	0	0	8,540
Jail Fees	7,029	0	0	0	0	0	0	7,029
DUI Treatment Fines	1,492	0	0	0	0	0	0	1,492
Data Entry Fee - Circuit Court	724	0	0	0	0	0	0	724
<u>General Sessions Court</u>								
Fines	77,318	0	0	0	0	0	0	77,318
Officers Costs	55,541	0	0	0	0	0	0	55,541
Game and Fish Fines	1,997	0	0	0	0	0	0	1,997
Drug Control Fines	0	0	25,276	0	0	0	0	25,276
Jail Fees	38,923	0	0	0	0	0	0	38,923
DUI Treatment Fines	13,766	0	0	0	0	0	0	13,766
Data Entry Fee - General Sessions Court	8,292	0	0	0	0	0	0	8,292
<u>Juvenile Court</u>								
Fines	12,414	0	0	0	0	0	0	12,414
Officers Costs	10,293	0	0	0	0	0	0	10,293
<u>Chancery Court</u>								
Officers Costs	5,187	0	0	0	0	0	0	5,187
Data Entry Fee - Chancery Court	386	0	0	0	0	0	0	386
Total Fines, Forfeitures and Penalties	\$ 250,189	\$ 0	\$ 33,816	\$ 0	\$ 0	\$ 0	\$ 0	\$ 284,005
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 2,705,999	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,705,999
Other General Service Charges	0	0	0	0	60,822	0	0	60,822
<u>Fees</u>								
Recreation Fees	36,895	0	0	0	0	0	0	36,895
Copy Fees	1,829	0	0	0	0	0	0	1,829
Library Fees	12,358	0	0	0	0	0	0	12,358
Telephone Commissions	27,673	0	0	0	0	0	0	27,673
Vending Machine Collections	48	0	0	0	0	0	0	48
Constitutional Officers' Fees and Commissions	0	0	0	789,904	0	0	0	789,904

(Continued)

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

Exhibit K-5

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
Charges for Current Services (Cont.)								
<u>Fees (Cont.)</u>								
Data Processing Fee - Register	\$ 24,886	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,886
Data Processing Fee - Sheriff	8,929	0	0	0	0	0	0	8,929
Sexual Offender Registration Fee	1,500	0	0	0	0	0	0	1,500
Total Charges for Current Services	\$ 2,820,117	\$ 0	\$ 0	\$ 789,904	\$ 60,822	\$ 0	\$ 0	\$ 3,670,843
Other Local Revenues								
<u>Recurring Items</u>								
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 337,976	\$ 0	\$ 337,976
Sale of Materials and Supplies	52	0	0	0	258	0	0	310
Commissary Sales	17,557	0	0	0	0	0	0	17,557
Sale of Recycled Materials	766	0	0	0	0	0	0	766
Miscellaneous Refunds	18,754	0	261	0	153	0	0	19,168
<u>Nonrecurring Items</u>								
Insurance Recovery	1,726	0	0	0	4,430	0	0	6,156
Sale of Equipment	1,500	0	0	0	0	0	0	1,500
Sale of Property	333	0	0	0	0	0	0	333
<u>Other Local Revenues</u>								
Other Local Revenues	280	0	0	0	0	0	0	280
Total Other Local Revenues	\$ 40,968	\$ 0	\$ 261	\$ 0	\$ 4,841	\$ 337,976	\$ 0	\$ 384,046
Fees Received from County Officials								
<u>Excess Fees</u>								
County Clerk	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,000
Register	150,000	0	0	0	0	0	0	150,000
Trustee	377,200	0	0	0	0	0	0	377,200
<u>Fees In Lieu of Salary</u>								
Circuit Court Clerk	46,492	0	0	0	0	0	0	46,492
General Sessions Court Clerk	204,356	0	0	0	0	0	0	204,356
Clerk and Master	59,934	0	0	0	0	0	0	59,934
Sheriff	10,165	0	0	0	0	0	0	10,165
Total Fees Received from County Officials	\$ 878,147	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 878,147

(Continued)

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

Exhibit K-5

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 17,054	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,054
Aging Programs	7,948	0	0	0	0	0	0	7,948
State Reappraisal Grant	18,827	0	0	0	0	0	0	18,827
Other General Government Grants	13,942	0	0	0	0	0	0	13,942
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	17,636	0	0	0	0	0	0	17,636
Drug Control Grants	2,125	0	0	0	0	0	0	2,125
<u>Health and Welfare Grants</u>								
Health Department Programs	96,531	0	0	0	0	0	0	96,531
<u>Public Works Grants</u>								
Litter Program	38,083	0	0	0	0	0	0	38,083
<u>Other State Revenues</u>								
Contracted Prisoner Boarding	425,742	0	0	0	0	0	0	425,742
Gasoline and Motor Fuel Tax	0	0	0	0	1,636,870	0	0	1,636,870
Petroleum Special Tax	0	0	0	0	35,631	0	0	35,631
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	0	8,659	0	0	0	0	0	8,659
Other State Revenues	100	0	0	0	0	0	0	100
Total State of Tennessee	\$ 654,368	\$ 8,659	\$ 0	\$ 0	\$ 1,672,501	\$ 0	\$ 0	\$ 2,335,528
<u>Federal Government</u>								
<u>Federal Through State</u>								
Civil Defense Reimbursement	\$ 32,402	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,402
Other Federal through State	218,971	0	0	0	0	0	0	218,971
<u>Direct Federal Revenue</u>								
Asset Forfeiture Funds	0	0	10,381	0	0	0	0	10,381
Other Direct Federal Revenue	170,515	0	0	0	0	0	0	170,515
Total Federal Government	\$ 421,888	\$ 0	\$ 10,381	\$ 0	\$ 0	\$ 0	\$ 0	\$ 432,269
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,400	\$ 0	\$ 0	\$ 62,400

(Continued)

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

Exhibit K-5

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Other Governments and Citizens Groups (Cont.)</u>								
<u>Other Governments (Cont.)</u>								
Contributions	\$ 134,491	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	134,491
<u>Citizens Groups</u>								
Donations	1,000	0	0	0	0	0	0	1,000
<u>Other</u>								
Other	854	0	0	0	0	262,500	0	263,354
Total Other Governments and Citizens Groups	<u>\$ 136,345</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 62,400</u>	<u>\$ 262,500</u>	<u>\$ 0</u>	<u>461,245</u>
Total	<u>\$ 11,653,829</u>	<u>\$ 1,247,209</u>	<u>\$ 44,458</u>	<u>\$ 789,904</u>	<u>\$ 3,031,510</u>	<u>\$ 2,659,448</u>	<u>\$ 275,177</u>	<u>\$ 19,701,535</u>

Exhibit K-6

Jefferson County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Jefferson County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 4,913,740	\$ 0	\$ 4,913,740
Trustee's Collections - Prior Year	166,413	0	166,413
Circuit/Clerk & Master Collections - Prior Years	85,570	0	85,570
Interest and Penalty	33,337	0	33,337
Pick-up Taxes	11,360	0	11,360
Payments in Lieu of Taxes - T.V.A.	13,297	0	13,297
Payments in Lieu of Taxes - Local Utilities	7,494	0	7,494
<u>County Local Option Taxes</u>			
Local Option Sales Tax	4,113,955	0	4,113,955
<u>Statutory Local Taxes</u>			
Bank Excise Tax	10,481	0	10,481
Wholesale Beer Tax	1,151	0	1,151
Interstate Telecommunications Tax	12,549	0	12,549
Total Local Taxes	\$ 9,369,347	\$ 0	\$ 9,369,347
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 2,508	\$ 0	\$ 2,508
Total Licenses and Permits	\$ 2,508	\$ 0	\$ 2,508
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
Lunch Payments - Children	\$ 734,968	\$ 0	\$ 734,968
Lunch Payments - Adults	69,444	0	69,444
Income from Breakfast	32,372	0	32,372
A la carte Sales	187,612	0	187,612
School Based Health Services - FFS	24,865	0	24,865
Receipts from Individual Schools	59,104	0	59,104
Community Service Fees - Children	357,649	0	357,649
TBI Criminal Background Fee	8,400	0	8,400
<u>Other Charges for Services</u>			
Other Charges for Services	16,919	0	16,919
Total Charges for Current Services	\$ 1,491,333	\$ 0	\$ 1,491,333
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 9,196	\$ 0	\$ 9,196
Lease/Rentals	1,100	0	1,100
Miscellaneous Refunds	61,181	0	61,181
<u>Nonrecurring Items</u>			
Insurance Recovery	10,741	0	10,741
Sale of Equipment	8,840	0	8,840
Sale of Property	6,500	0	6,500
Damages Recovered from Individuals	35	0	35
Contributions & Gifts	4,300	0	4,300
<u>Other Local Revenues</u>			
Other Local Revenues	589	0	589
Total Other Local Revenues	\$ 102,482	\$ 0	\$ 102,482

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 24,998,323	\$ 0	\$ 24,998,323
School Food Service	35,616	0	35,616
Driver Education	20,280	0	20,280
Other State Education Funds	356,557	0	356,557
Career Ladder Program	411,104	0	411,104
Career Ladder - Extended Contract	192,974	0	192,974
<u>Other State Revenues</u>			
Income Tax	65,297	0	65,297
Beer Tax	57,937	0	57,937
State Revenue Sharing - T.V.A.	642,685	0	642,685
Other State Grants	99,461	0	99,461
Total State of Tennessee	\$ 26,880,234	\$ 0	\$ 26,880,234
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 1,052,722	\$ 0	\$ 1,052,722
Breakfast	238,472	0	238,472
Adult Education State Grant Program	132,205	0	132,205
Vocational Education - Basic Grants to States	0	127,749	127,749
Other Vocational	0	3,776	3,776
Title I Grants to Local Education Agencies	0	1,440,958	1,440,958
Innovative Education Program Strategies	0	20,254	20,254
Special Education - Grants to States	45,351	1,385,449	1,430,800
Special Education Preschool Grants	0	54,463	54,463
Eisenhower Professional Development State Grants	0	388,044	388,044
Other Federal through State	63,295	440,566	503,861
<u>Direct Federal Revenue</u>			
ROTC Reimbursement	50,772	0	50,772
Total Federal Government	\$ 1,582,817	\$ 3,861,259	\$ 5,444,076
Total	\$ 39,428,721	\$ 3,861,259	\$ 43,289,980

Exhibit K-7

Jefferson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Medical Personnel	\$	5,400	
Board and Committee Members Fees		85,475	
Audit Services		10,118	
Dues and Memberships		9,829	
Financial Advisory Services		4,925	
Legal Services		27,843	
Travel		5,768	
Other Contracted Services		33,351	
Total County Commission			\$ 182,709

Board of Equalization

Board and Committee Members Fees	\$	950	
Total Board of Equalization			950

Other Boards and Committees

Postal Charges	\$	18	
Other Charges		80	
Total Other Boards and Committees			98

County Mayor

County Official/Administrative Officer	\$	62,333	
Other Salaries & Wages		132,118	
Advertising		2,365	
Communication		1,918	
Travel		3,195	
Office Supplies		1,902	
Other Charges		6,689	
Office Equipment		661	
Total County Mayor			211,181

Election Commission

Supervisor/Director	\$	43,175	
Clerical Personnel		26,077	
Part-time Personnel		1,484	
Election Commission		11,850	
Election Workers		21,022	
Advertising		2,784	
Communication		1,329	
Maintenance Agreements		5,614	
Postal Charges		3,526	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Printing, Stationery and Forms	\$	14,001	
Travel		10,389	
Other Contracted Services		5,402	
Data Processing Supplies		93	
Office Supplies		626	
Other Charges		881	
Data Processing Equipment		3,867	
Total Election Commission			\$ 152,120

Register of Deeds

Communication	\$	595	
Data Processing Services		26,154	
Maintenance Agreements		1,248	
Maintenance and Repair Services - Records		2,400	
Data Processing Supplies		282	
Office Supplies		17,808	
Other Charges		302	
Office Equipment		2,103	
Total Register of Deeds			50,892

Codes Compliance

Clerical Personnel	\$	29,106	
Other Salaries & Wages		36,621	
Communication		590	
Maintenance & Repair Services- Vehicles		481	
Gasoline		1,122	
Office Supplies		769	
Refunds		4,387	
Data Processing Equipment		900	
Office Equipment		739	
Total Codes Compliance			74,715

County Buildings

Custodial Personnel	\$	36,338	
Maintenance Personnel		56,618	
Part-time Personnel		8,872	
Communication		20,039	
Maintenance Agreements		18,776	
Maintenance & Repair Services- Buildings		31,027	
Maintenance & Repair Services- Office Equipment		168	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance & Repair Services- Vehicles	\$	5,720	
Postal Charges		40,622	
Custodial Supplies		7,781	
Electricity		25,327	
Gasoline		3,902	
Natural Gas		12,224	
Office Supplies		5,063	
Water and Sewer		2,367	
Building and Contents Insurance		16,133	
Vehicle and Equipment Insurance		4,607	
Other Charges		3,964	
Office Equipment		6,277	
Total County Buildings			\$ 305,825

Other General Administration

Contributions	\$	4,350	
Other Charges		33	
Total Other General Administration			4,383

Preservation of Records

Maintenance Agreements	\$	82	
Maintenance & Repair Services- Office Equipment		238	
Office Supplies		4,089	
Data Processing Equipment		816	
Total Preservation of Records			5,225

Finance

Accounting and Budgeting

Data Processing Services	\$	467	
Data Processing Supplies		1,240	
Data Processing Equipment		150	
Total Accounting and Budgeting			1,857

Property Assessor's Office

County Official/Administrative Officer	\$	53,969	
Assessment Personnel		68,146	
Secretary(s)		29,555	
Audit Services		31,900	
Communication		596	
Data Processing Services		15,976	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Travel	\$	879	
Office Supplies		506	
Other Supplies and Materials		1,236	
Other Charges		219	
Office Equipment		436	
Total Property Assessor's Office			\$ 203,418

Reappraisal Program

Assessment Personnel	\$	61,062	
Clerical Personnel		54,754	
Longevity Pay		1,200	
Social Security		6,930	
State Retirement		14,756	
Life Insurance		274	
Medical Insurance		19,134	
Unemployment Compensation		168	
Employer Medicare		1,621	
Data Processing Services		5,827	
Maintenance & Repair Services- Vehicles		1,810	
Postal Charges		6,498	
Gasoline		1,649	
Vehicle and Equipment Insurance		980	
Other Charges		383	
Total Reappraisal Program			177,046

County Trustee's Office

Communication	\$	585	
Legal Notices, Recording and Court Costs		505	
Maintenance Agreements		4,996	
Office Supplies		4,239	
Other Charges		85	
Data Processing Equipment		297	
Office Equipment		490	
Total County Trustee's Office			11,197

County Clerk's Office

Communication	\$	1,926	
Maintenance Agreements		11,850	
Office Supplies		9,979	
Other Charges		324	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Data Processing Equipment	\$ 25,187	
Office Equipment	1,225	
Total County Clerk's Office		\$ 50,491

Other Finance

Liability Insurance	\$ 53,164	
Premiums on Corporate Surety Bonds	703	
Refunds	325	
Trustee's Commission	145,863	
Workers' Compensation Insurance	15,524	
Liability Claims	456	
Total Other Finance		216,035

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 53,969	
Deputy(ies)	34,602	
Clerical Personnel	149,479	
Other Salaries & Wages	160	
Jury and Witness Fees	6,196	
Communication	1,645	
Maintenance Agreements	4,037	
Other Contracted Services	33,800	
Office Supplies	14,231	
Other Charges	172	
Office Equipment	290	
Total Circuit Court		298,581

General Sessions Court

Judge(s)	\$ 94,340	
Secretary(s)	30,890	
Attendants	33,302	
In-Service Training	32	
Other Per Diem & Fees	17,199	
Operating Lease Payments	41	
Legal Notices, Recording and Court Costs	56	
Maintenance Agreements	185	
Maintenance & Repair Services- Vehicles	721	
Travel	1,373	
Gasoline	1,605	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Library Books/Media	\$	3,270	
Office Supplies		386	
Uniforms		223	
Other Charges		105	
Office Equipment		61	
Total General Sessions Court			\$ 183,789

Chancery Court

County Official/Administrative Officer	\$	53,969	
Assistant(s)		30,958	
Deputy(ies)		29,552	
Advertising		381	
Communication		606	
Maintenance Agreements		7,222	
Travel		634	
Office Supplies		1,920	
Other Charges		174	
Data Processing Equipment		420	
Office Equipment		169	
Total Chancery Court			126,005

Juvenile Court

Youth Service Officer(s)	\$	61,727	
Longevity Pay		900	
Social Security		3,883	
State Retirement		7,897	
Life Insurance		137	
Medical Insurance		4,856	
Unemployment Compensation		84	
Employer Medicare		908	
Communication		1,680	
Contracts with Government Agencies		29,495	
Data Processing Services		1,200	
Legal Services		7,148	
Travel		3,207	
Drug Treatment		250	
Data Processing Supplies		550	
Office Supplies		717	
Other Charges		26	
Motor Vehicles		16,748	
Total Juvenile Court			141,413

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,365	
Assistant(s)		78,798	
Deputy(ies)		803,117	
Detective(s)		132,179	
Secretary(s)		58,926	
Part-time Personnel		141,374	
Longevity Pay		15,938	
Overtime Pay		6,867	
In-Service Training		8,976	
Social Security		81,960	
State Retirement		134,243	
Life Insurance		2,572	
Medical Insurance		174,935	
Unemployment Compensation		2,364	
Employer Medicare		19,273	
Other Fringe Benefits		32,085	
Communication		17,995	
Maintenance Agreements		10,417	
Maintenance & Repair Services- Equipment		6,168	
Maintenance & Repair Services- Vehicles		94,765	
Postal Charges		749	
Rentals		800	
Travel		5,960	
Other Contracted Services		1,228	
Gasoline		101,925	
Instructional Supplies and Materials		1,848	
Library Books/Media		1,068	
Office Supplies		10,237	
Tires and Tubes		11,599	
Uniforms		21,092	
Liability Insurance		30,233	
Vehicle and Equipment Insurance		34,894	
Workers' Compensation Insurance		40,044	
Other Charges		2,686	
Motor Vehicles		254,976	
Other Equipment		46,383	
Total Sheriff's Department			\$ 2,448,039

Jail

Medical Personnel	\$	34,729
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Guards	\$	403,256	
Cafeteria Personnel		23,814	
Part-time Personnel		16,250	
Longevity Pay		7,200	
In-Service Training		3,165	
Social Security		30,408	
State Retirement		51,485	
Life Insurance		1,146	
Medical Insurance		79,692	
Unemployment Compensation		1,037	
Employer Medicare		7,112	
Other Fringe Benefits		17,166	
Maintenance & Repair Services- Buildings		17,496	
Maintenance & Repair Services- Equipment		271	
Medical and Dental Services		35,449	
Custodial Supplies		21,718	
Electricity		24,123	
Food Supplies		123,135	
Natural Gas		27,088	
Uniforms		7,629	
Water and Sewer		14,568	
Building and Contents Insurance		3,508	
Workers' Compensation Insurance		17,567	
Other Charges		3,042	
Other Equipment		21,541	
Total Jail			\$ 993,595

Public Safety Grant Programs

Instructional Supplies and Materials	\$	115,955	
Total Public Safety Grant Programs			115,955

Other Public Safety

Contributions	\$	328,000	
Total Other Public Safety			328,000

Public Health and Welfare

Local Health Center

Medical Personnel	\$	10,970	
Clerical Personnel		54,826	
Longevity Pay		400	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Social Security	\$	4,066	
State Retirement		7,831	
Life Insurance		211	
Medical Insurance		15,118	
Unemployment Compensation		159	
Employer Medicare		951	
Contracts with Government Agencies		35,580	
Travel		1,012	
Remittance of Revenue Collected		10,082	
Drugs and Medical Supplies		31,064	
Workers' Compensation Insurance		1,705	
Total Local Health Center			\$ 173,975

Rabies and Animal Control

Part-time Personnel	\$	7,450	
Longevity Pay		900	
Other Salaries & Wages		30,894	
Social Security		2,414	
State Retirement		4,009	
Life Insurance		68	
Medical Insurance		4,759	
Unemployment Compensation		85	
Employer Medicare		564	
Communication		648	
Maintenance & Repair Services- Vehicles		234	
Gasoline		2,565	
Vehicle and Equipment Insurance		800	
Workers' Compensation Insurance		1,797	
Motor Vehicles		16,937	
Other Equipment		880	
Total Rabies and Animal Control			75,004

Ambulance/Emergency Medical Services

Assistant(s)	\$	67,027
Supervisor/Director		51,837
Medical Personnel		1,500
Mechanic(s)		31,906
Clerical Personnel		88,062
Attendants		1,270,374
Part-time Personnel		131,270

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Longevity Pay	\$	18,900	
Other Salaries & Wages		23,912	
In-Service Training		17,261	
Social Security		105,717	
State Retirement		187,306	
Life Insurance		2,827	
Medical Insurance		206,497	
Unemployment Compensation		2,521	
Employer Medicare		24,724	
Other Fringe Benefits		57,401	
Communication		10,398	
Maintenance Agreements		3,486	
Maintenance & Repair Services- Equipment		6,440	
Maintenance & Repair Services- Vehicles		62,528	
Postal Charges		5,046	
Travel		672	
Tuition		883	
Diesel Fuel		65,360	
Drugs and Medical Supplies		119,150	
Electricity		12,084	
Gasoline		182	
Natural Gas		3,358	
Office Supplies		7,339	
Tires and Tubes		10,395	
Uniforms		17,164	
Water and Sewer		946	
Other Supplies and Materials		4,015	
Building and Contents Insurance		4,493	
Liability Insurance		14,538	
Refunds		10,960	
Vehicle and Equipment Insurance		18,742	
Workers' Compensation Insurance		121,287	
Other Charges		4,217	
Data Processing Equipment		2,993	
Furniture and Fixtures		4,550	
Motor Vehicles		83,560	
Other Equipment		103,894	
Total Ambulance/Emergency Medical Services			\$ 2,987,722

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

General Welfare Assistance

Medical and Dental Services	\$	430	
Pauper Burials		<u>3,150</u>	
Total General Welfare Assistance			\$ 3,580

Aid to Dependent Children

Other Charges	\$	<u>1,461</u>	
Total Aid to Dependent Children			1,461

Sanitation Education/Information

Guards	\$	30,894	
Longevity Pay		900	
Social Security		1,971	
State Retirement		4,009	
Life Insurance		68	
Medical Insurance		4,759	
Unemployment Compensation		42	
Employer Medicare		461	
Communication		293	
Maintenance & Repair Services- Vehicles		276	
Gasoline		1,487	
Instructional Supplies and Materials		13,666	
Other Supplies and Materials		91	
Vehicle and Equipment Insurance		598	
Workers' Compensation Insurance		986	
Motor Vehicles		<u>13,019</u>	
Total Sanitation Education/Information			73,520

Other Public Health and Welfare

Supervisor/Director	\$	42,000	
Longevity Pay		300	
Other Salaries & Wages		50,400	
Social Security		5,709	
State Retirement		11,690	
Life Insurance		205	
Medical Insurance		14,296	
Unemployment Compensation		126	
Employer Medicare		1,335	
Communication		2,455	
Maintenance & Repair Services- Vehicles		277	
Postal Charges		386	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Public Health and Welfare (Cont.)

Travel	\$	1,316	
Gasoline		4,411	
Office Supplies		2,062	
Refunds		475	
Workers' Compensation Insurance		3,325	
Other Charges		171	
Office Equipment		2,906	
Other Equipment		1,127	
Total Other Public Health and Welfare			\$ 144,972

Social, Cultural and Recreational Services

Senior Citizens Assistance

Assistant(s)	\$	74,555	
Supervisor/Director		28,080	
Salary Supplements		5,100	
Social Security		6,587	
State Retirement		12,317	
Life Insurance		418	
Medical Insurance		25,188	
Employer Medicare		1,540	
Communication		1,978	
Postal Charges		518	
Travel		1,484	
Office Supplies		1,295	
Other Supplies and Materials		2,938	
Workers' Compensation Insurance		342	
Data Processing Equipment		1,167	
Total Senior Citizens Assistance			163,507

Libraries

Librarians	\$	163,251	
In-Service Training		1,224	
Social Security		10,025	
State Retirement		14,762	
Life Insurance		410	
Medical Insurance		28,688	
Unemployment Compensation		425	
Employer Medicare		2,345	
Communication		1,800	
Maintenance & Repair Services- Equipment		1,831	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries (Cont.)

Library Books/Media	\$	34,716	
Periodicals		5,526	
Utilities		1,361	
Other Supplies and Materials		3,372	
Building and Contents Insurance		1,074	
Workers' Compensation Insurance		585	
Other Charges		16,489	
Data Processing Equipment		13,632	
Other Equipment		14,165	
Total Libraries			\$ 315,681

Other Social, Cultural and Recreational

Supervisor/Director	\$	7,752	
Other Salaries & Wages		30,723	
Social Security		2,591	
Employer Medicare		606	
Communication		420	
Maintenance & Repair Services- Equipment		1,951	
Electricity		4,217	
Water and Sewer		4,178	
Chemicals		6,348	
Other Charges		3,133	
Total Other Social, Cultural and Recreational			61,919

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	46,254	
Part-time Personnel		7,222	
Social Security		3,515	
State Retirement		1,273	
Other Fringe Benefits		5,449	
Communication		4,026	
Pest Control		60	
Travel		482	
Electricity		1,539	
Natural Gas		1,699	
Water and Sewer		156	
Other Charges		46	
Total Agriculture Extension Service			71,721

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Secretary(s)	\$	21,110	
Longevity Pay		500	
Social Security		1,320	
State Retirement		2,725	
Life Insurance		68	
Medical Insurance		4,856	
Unemployment Compensation		42	
Employer Medicare		309	
Dues and Memberships		320	
Workers' Compensation Insurance		95	
Total Soil Conservation			\$ 31,345

Other Operations

Veterans' Services

Other Salaries & Wages	\$	23,812	
Communication		1,305	
Travel		313	
Office Supplies		188	
Total Veterans' Services			25,618

Contributions to Other Agencies

Contributions	\$	487,436	
Total Contributions to Other Agencies			487,436

Employee Benefits

Longevity Pay	\$	16,450	
Social Security		81,793	
State Retirement		137,336	
Life Insurance		3,074	
Medical Insurance		194,798	
Dental Insurance		12,962	
Unemployment Compensation		2,481	
Employer Medicare		17,088	
Total Employee Benefits			465,982

Principal

General Government

Principal on Capitalized Leases	\$	195,516	
Total General Government			195,516

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Interest

General Government

Interest on Capitalized Leases	\$ 4,919	
Total General Government		\$ 4,919

Total General Fund \$ 11,567,397

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$ 25,950	
Longevity Pay	5,000	
Other Salaries & Wages	312,265	
Social Security	26,704	
State Retirement	36,743	
Employee and Dependent Insurance	69,549	
Life Insurance	958	
Dental Insurance	512	
Unemployment Compensation	480	
Contracts with Private Agencies	11,860	
Data Processing Services	3,653	
Legal Services	60	
Maintenance & Repair Services- Vehicles	21,178	
Postal Charges	457	
Rentals	2,805	
Disposal Fees	499,315	
Diesel Fuel	17,520	
Gasoline	6,097	
Lubricants	2,030	
Office Supplies	754	
Tires and Tubes	13,229	
Utilities	13,712	
Other Supplies and Materials	6,749	
Trustee's Commission	24,526	
Vehicle and Equipment Insurance	5,067	
Workers' Compensation Insurance	18,239	
Other Charges	150	
Solid Waste Equipment	18,157	
Total Waste Pickup		\$ 1,143,719

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Other Charges	\$ 19,437	
Total Other Charges	<u>19,437</u>	\$ 19,437

Total Solid Waste/Sanitation Fund \$ 1,163,156

Drug Control Fund

Finance

Other Finance

Trustee's Commission	\$ 330	
Total Other Finance	<u>330</u>	\$ 330

Public Safety

Drug Enforcement

Other Charges	\$ 14,421	
Other Equipment	73,532	
Total Drug Enforcement	<u>87,953</u>	

Total Drug Control Fund 88,283

Constitutional Officers - Fees Fund

General Government

Other General Administration

Other Contracted Services	\$ 724,390	
Total Other General Administration	<u>724,390</u>	\$ 724,390

Total Constitutional Officers - Fees Fund 724,390

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 59,365
Accountants/Bookkeepers	38,240
Clerical Personnel	27,270
Longevity Pay	1,500
Board and Committee Members Fees	9,120
Communication	5,902
Data Processing Services	5,825
Dues and Memberships	2,041
Legal Notices, Recording and Court Costs	348
Postal Charges	823

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Travel	\$	74	
Other Contracted Services		1,875	
Office Supplies		3,085	
Other Charges		5,746	
Office Equipment		2,266	
Total Administration			\$ 163,480

Highway and Bridge Maintenance

Laborers	\$	885,391	
Longevity Pay		20,900	
Rentals		8,267	
Asphalt - Liquid		168,752	
Other Road Supplies		3,848	
Pipe - Metal		16,067	
Road Signs		12,434	
Other Supplies and Materials		398	
Total Highway and Bridge Maintenance			1,116,057

Operation and Maintenance of Equipment

Mechanic(s)	\$	181,710	
Longevity Pay		4,600	
Maintenance & Repair Services- Equipment		173,969	
Diesel Fuel		36,906	
Gasoline		65,157	
Lubricants		13,959	
Natural Gas		68,536	
Tires and Tubes		18,615	
Water and Sewer		375	
Other Supplies and Materials		9,531	
Total Operation and Maintenance of Equipment			573,358

Quarry Operations

Laborers	\$	240,288	
Longevity Pay		5,600	
Explosive and Drilling Services		14,473	
Maintenance & Repair Services- Equipment		54,240	
Electricity		112,988	
Other Charges		13,125	
Total Quarry Operations			440,714

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Asphalt Plant Operations

Maintenance & Repair Services- Equipment	\$ 9,991	
Total Asphalt Plant Operations		\$ 9,991

Other Charges

Building and Contents Insurance	\$ 2,223	
Liability Insurance	5,712	
Trustee's Commission	41,711	
Vehicle and Equipment Insurance	29,165	
Total Other Charges		78,811

Employee Benefits

Social Security	\$ 114,140	
State Retirement	182,098	
Employee and Dependent Insurance	235,110	
Unemployment Compensation	1,101	
Workers' Compensation Insurance	105,100	
Total Employee Benefits		637,549

Capital Outlay

Motor Vehicles	\$ 1,250	
Total Capital Outlay		1,250

Total Highway/Public Works Fund \$ 3,021,210

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$ 270,000	
Total General Government		\$ 270,000

Education

Principal on Bonds	\$ 465,000	
Principal on Other Loans Payable	200,000	
Total Education		665,000

Interest

General Government

Interest on Bonds	\$ 12,988	
Total General Government		12,988

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Interest (Cont.)

Education

Interest on Bonds	\$ 146,202	
Interest on Other Loans Payable	<u>823,474</u>	
Total Education		\$ 969,676

Other Debt Service

General Government

Trustee's Commission	\$ 34,834	
Other Debt Service	<u>1,008</u>	
Total General Government		<u>35,842</u>

Total General Debt Service Fund \$ 1,953,506

General Capital Projects Fund

Capital Projects

Other General Government Projects

Trustee's Commission	\$ 5,450	
Building Improvements	23,875	
Disabilities Act Improvements	<u>5,228</u>	
Total Other General Government Projects		\$ 34,553

Highway & Street Capital Projects

Highway Equipment	\$ <u>130,613</u>	
Total Highway & Street Capital Projects		<u>130,613</u>

Total General Capital Projects Fund 165,166

Other Capital Projects Fund

Other Debt Service

General Government

Underwriter's Discount	\$ 60,000	
Other Debt Issuance Charges	<u>39,000</u>	
Total General Government		\$ 99,000

Capital Projects

Administration of Justice Projects

Engineering Services	\$ 656,626	
Building Construction	498,173	
Site Development	14,660	
Other Capital Outlay	<u>18,096</u>	
Total Administration of Justice Projects		<u>1,187,555</u>

Total Other Capital Projects Fund 1,286,555

Total Governmental Funds - Primary Government \$ 19,969,663

Exhibit K-8

Jefferson County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Jefferson County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 14,504,353	
Career Ladder Program	283,687	
Career Ladder Extended Contracts	174,000	
Homebound Teachers	489	
Educational Assistants	145,782	
Other Salaries & Wages	20,370	
Certified Substitute Teachers	302,342	
Social Security	913,355	
State Retirement	834,784	
Life Insurance	27,823	
Medical Insurance	2,364,116	
Dental Insurance	58,393	
Employer Medicare	213,609	
Maintenance & Repair Services- Equipment	35,022	
Other Contracted Services	41,800	
Instructional Supplies and Materials	138,555	
Textbooks	274,337	
Fee Waivers	82,785	
Other Charges	5,000	
Regular Instruction Equipment	235,928	
Total Regular Instruction Program		\$ 20,656,530

Alternative Instruction Program

Other Contracted Services	\$ 245,625	
Total Alternative Instruction Program		245,625

Special Education Program

Teachers	\$ 1,478,906	
Career Ladder Program	19,293	
Homebound Teachers	10,636	
Social Security	89,371	
State Retirement	82,002	
Life Insurance	2,884	
Medical Insurance	234,261	
Dental Insurance	6,681	
Employer Medicare	20,901	
Instructional Supplies and Materials	30,000	
Special Education Equipment	17,483	
Total Special Education Program		1,992,418

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	755,811	
Career Ladder Program		8,000	
Certified Substitute Teachers		4,245	
Social Security		45,225	
State Retirement		40,942	
Life Insurance		1,328	
Medical Insurance		106,743	
Dental Insurance		1,699	
Employer Medicare		10,577	
Maintenance & Repair Services- Equipment		769	
Instructional Supplies and Materials		42,000	
Vocational Instruction Equipment		10,000	
Total Vocational Education Program			\$ 1,027,339

Adult Education Program

Teachers	\$	80,146	
Social Security		4,686	
State Retirement		3,948	
Life Insurance		68	
Medical Insurance		9,872	
Dental Insurance		200	
Employer Medicare		1,096	
Instructional Supplies and Materials		8,104	
Total Adult Education Program			108,120

Support Services

Attendance

Supervisor/Director	\$	32,557	
Other Salaries & Wages		8,261	
Social Security		2,309	
State Retirement		1,791	
Life Insurance		68	
Medical Insurance		7,814	
Dental Insurance		200	
Employer Medicare		540	
Travel		251	
Total Attendance			53,791

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	107,296	
Social Security		7,171	
State Retirement		15,294	
Life Insurance		342	
Medical Insurance		25,274	
Dental Insurance		600	
Employer Medicare		1,677	
Travel		619	
Drugs and Medical Supplies		314	
Other Supplies and Materials		1,390	
Total Health Services			\$ 159,977

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		587,757	
Assessment Personnel		37,923	
Clerical Personnel		16,265	
Attendants		106,243	
Other Salaries & Wages		47,369	
Social Security		46,738	
State Retirement		55,256	
Life Insurance		1,909	
Medical Insurance		138,675	
Dental Insurance		3,482	
Employer Medicare		10,931	
Evaluation and Testing		11,745	
Travel		94	
Other Supplies and Materials		3,060	
Other Charges		10,000	
Other Equipment		2,412	
Total Other Student Support			1,086,859

Regular Instruction Program

Supervisor/Director	\$	127,223
Career Ladder Program		14,166
Librarians		398,187
Materials Supervisor		40,392
Instructional Computer Personnel		67,320
Secretary(s)		119,624

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Clerical Personnel	\$	48,140	
Other Salaries & Wages		202,050	
Social Security		60,681	
State Retirement		78,344	
Life Insurance		2,052	
Medical Insurance		165,749	
Dental Insurance		5,198	
Employer Medicare		14,192	
Travel		12,345	
Other Supplies and Materials		16,456	
In Service/Staff Development		28,718	
Other Charges		4,692	
Other Equipment		18,928	
Total Regular Instruction Program			\$ 1,424,457

Special Education Program

Supervisor/Director	\$	67,320	
Career Ladder Program		7,000	
Assessment Personnel		51,586	
Secretary(s)		26,443	
Other Salaries & Wages		151,784	
Social Security		18,022	
State Retirement		29,178	
Life Insurance		587	
Medical Insurance		37,452	
Dental Insurance		1,349	
Employer Medicare		4,215	
Maintenance & Repair Services- Equipment		552	
Travel		16,857	
Other Contracted Services		20,876	
Other Charges		100	
Total Special Education Program			433,321

Vocational Education Program

Supervisor/Director	\$	32,557
Career Ladder Program		1,000
Secretary(s)		21,808
Social Security		3,032
State Retirement		4,596

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Vocational Education Program (Cont.)

Life Insurance	\$	68	
Medical Insurance		7,604	
Dental Insurance		200	
Employer Medicare		709	
Maintenance & Repair Services- Equipment		993	
Travel		17,675	
Other Contracted Services		10,089	
Other Supplies and Materials		760	
Other Equipment		559	
Total Vocational Education Program			\$ 101,650

Adult Programs

Supervisor/Director	\$	30,521	
Clerical Personnel		760	
Other Salaries & Wages		21,182	
Social Security		3,179	
State Retirement		6,584	
Medical Insurance		9,877	
Employer Medicare		744	
Travel		1,369	
In Service/Staff Development		2,724	
Other Charges		6,149	
Other Equipment		1,200	
Total Adult Programs			84,289

Board of Education

Board and Committee Members Fees	\$	8,400	
Social Security		521	
Unemployment Compensation		16,019	
Employer Medicare		122	
Audit Services		6,500	
Dues and Memberships		16,340	
Legal Services		21,092	
Travel		8,514	
Other Contracted Services		29,817	
Liability Insurance		49,066	
Trustee's Commission		215,413	
Workers' Compensation Insurance		288,736	
Criminal Investigation of Applicants - TBI		8,304	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Other Charges	\$ 18,326	
Total Board of Education		\$ 687,170

Director of Schools

County Official/Administrative Officer	\$ 92,936	
Secretary(s)	63,531	
Social Security	9,425	
State Retirement	18,025	
Life Insurance	205	
Medical Insurance	14,385	
Dental Insurance	850	
Employer Medicare	2,349	
Other Fringe Benefits	3,831	
Communication	11,882	
Postal Charges	5,976	
Travel	3,438	
Other Contracted Services	16,027	
Office Supplies	8,327	
Other Charges	2,903	
Administration Equipment	5,132	
Total Director of Schools		259,222

Office of the Principal

Principals	\$ 623,678	
Career Ladder Program	25,120	
Assistant Principals	443,436	
Secretary(s)	522,697	
Clerical Personnel	71,246	
Social Security	98,641	
State Retirement	131,163	
Life Insurance	3,298	
Medical Insurance	294,726	
Dental Insurance	8,063	
Employer Medicare	23,069	
Communication	36,378	
Travel	172	
Other Contracted Services	128,122	
Other Supplies and Materials	6,464	
Administration Equipment	24,999	
Total Office of the Principal		2,441,272

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	88,921	
Secretary(s)		27,602	
Clerical Personnel		32,614	
Social Security		8,559	
State Retirement		18,806	
Life Insurance		274	
Medical Insurance		24,605	
Dental Insurance		800	
Employer Medicare		2,002	
Maintenance & Repair Services- Equipment		4,433	
Travel		2,008	
Other Contracted Services		2,235	
Data Processing Supplies		3,922	
Administration Equipment		2,106	
Total Fiscal Services			\$ 218,887

Operation of Plant

Guards	\$	106,911	
Custodial Personnel		714,539	
Social Security		49,914	
State Retirement		89,339	
Life Insurance		2,856	
Medical Insurance		202,306	
Dental Insurance		4,915	
Employer Medicare		11,673	
Other Contracted Services		272,945	
Custodial Supplies		120,263	
Electricity		832,842	
Natural Gas		159,209	
Water and Sewer		77,032	
Boiler Insurance		7,660	
Building and Contents Insurance		139,542	
Other Charges		526	
Plant Operation Equipment		4,925	
Total Operation of Plant			2,797,397

Maintenance of Plant

Supervisor/Director	\$	44,790	
Maintenance Personnel		240,823	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Social Security	\$	17,182	
State Retirement		35,963	
Life Insurance		705	
Medical Insurance		68,381	
Dental Insurance		850	
Employer Medicare		4,018	
Communication		4,048	
Maintenance & Repair Services- Buildings		26,820	
Maintenance & Repair Services- Equipment		92,746	
Other Contracted Services		84,298	
General Construction Materials		72,649	
Other Supplies and Materials		115,448	
Other Charges		18,374	
Maintenance Equipment		38,420	
Total Maintenance of Plant			\$ 865,515

Transportation

Supervisor/Director	\$	44,015
Mechanic(s)		132,595
Bus Drivers		922,971
Clerical Personnel		25,156
Social Security		68,535
State Retirement		45,338
Life Insurance		501
Medical Insurance		43,620
Dental Insurance		933
Employer Medicare		16,028
Contracts with Other School Systems		14,890
Contracts with Parents		4,726
Contracts with Public Carriers		2,000
Maintenance & Repair Services- Vehicles		87,884
Medical and Dental Services		7,965
Other Contracted Services		16,782
Diesel Fuel		160,199
Equipment and Machinery Parts		1,708
Garage Supplies		5,195
Gasoline		45,024
Lubricants		7,257
Tires and Tubes		44,052

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Vehicle Parts	\$	63,961	
Other Supplies and Materials		3,960	
Vehicle and Equipment Insurance		43,084	
Other Charges		4,158	
Transportation Equipment		254,040	
Total Transportation			\$ 2,066,577

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	45,485	
Accountants/Bookkeepers		25,156	
Cafeteria Personnel		771,256	
Other Salaries & Wages		10,279	
In-Service Training		1,662	
Social Security		50,854	
State Retirement		77,013	
Life Insurance		2,478	
Medical Insurance		181,611	
Dental Insurance		4,698	
Unemployment Compensation		202	
Employer Medicare		11,893	
Communication		5,658	
Maintenance & Repair Services- Equipment		18,572	
Transportation - Other than Students		19,591	
Travel		2,065	
Other Contracted Services		59,875	
Food Supplies		928,502	
Office Supplies		8,328	
Other Supplies and Materials		96,624	
In Service/Staff Development		5,260	
Food Service Equipment		24,386	
Total Food Service			2,351,448

Community Services

Supervisor/Director	\$	122,515
Other Salaries & Wages		134,499
Social Security		15,355
State Retirement		16,090
Life Insurance		274

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Medical Insurance	\$	18,653	
Dental Insurance		600	
Employer Medicare		3,591	
Travel		1,306	
Food Supplies		14,739	
Other Supplies and Materials		10,782	
Refunds		243	
Other Charges		7,810	
Other Equipment		5,572	
Total Community Services			\$ 352,029

Capital Outlay

Regular Capital Outlay

Architects	\$	592,800	
Building Improvements		48,995	
Total Regular Capital Outlay			641,795

Total General Purpose School Fund \$ 40,055,688

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	409,842	
Educational Assistants		533,811	
Social Security		55,628	
State Retirement		88,350	
Life Insurance		3,831	
Medical Insurance		265,428	
Dental Insurance		6,981	
Employer Medicare		13,009	
Contracts with Other School Systems		25,958	
Other Contracted Services		31,580	
Instructional Supplies and Materials		47,321	
Regular Instruction Equipment		52,939	
Total Regular Instruction Program			\$ 1,534,678

Special Education Program

Teachers	\$	47,260	
Educational Assistants		461,918	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Social Security	\$	29,777	
State Retirement		59,595	
Life Insurance		2,836	
Medical Insurance		208,897	
Dental Insurance		5,331	
Employer Medicare		6,964	
Other Contracted Services		94,270	
Instructional Supplies and Materials		25,796	
Total Special Education Program			\$ 942,644

Vocational Education Program

Instructional Supplies and Materials	\$	35,385	
Other Supplies and Materials		6,599	
Vocational Instruction Equipment		48,747	
Total Vocational Education Program			90,731

Support Services

Health Services

Medical Personnel	\$	107,671	
Social Security		5,613	
State Retirement		13,259	
Life Insurance		411	
Medical Insurance		39,360	
Dental Insurance		800	
Employer Medicare		1,313	
Drugs and Medical Supplies		811	
Total Health Services			169,238

Other Student Support

Guidance Personnel	\$	30,598	
School Resource Officer		23,617	
Other Salaries & Wages		20,175	
Social Security		4,476	
State Retirement		6,393	
Life Insurance		411	
Medical Insurance		33,366	
Dental Insurance		950	
Employer Medicare		1,047	
Evaluation and Testing		150	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Travel	\$	10,938	
Other Contracted Services		4,769	
Other Supplies and Materials		6,122	
In Service/Staff Development		460	
Other Charges		12,397	
Other Equipment		<u>23,278</u>	
Total Other Student Support	\$		179,147

Regular Instruction Program

Supervisor/Director	\$	94,248	
Clerical Personnel		32,660	
Other Salaries & Wages		82,492	
Social Security		12,775	
State Retirement		13,839	
Life Insurance		274	
Medical Insurance		24,393	
Dental Insurance		800	
Employer Medicare		2,988	
Travel		2,271	
Other Contracted Services		5,500	
Other Supplies and Materials		13,635	
In Service/Staff Development		114,791	
Other Charges		4,044	
Other Equipment		<u>23,297</u>	
Total Regular Instruction Program			428,007

Special Education Program

Psychological Personnel	\$	91,654	
Assessment Personnel		40,345	
Other Salaries & Wages		40,145	
Social Security		9,916	
State Retirement		11,479	
Life Insurance		274	
Medical Insurance		25,927	
Dental Insurance		800	
Employer Medicare		2,319	
Maintenance & Repair Services- Equipment		3,800	
Travel		4,009	
In Service/Staff Development		<u>6,702</u>	
Total Special Education Program			237,370

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Supervisor/Director	\$	54,678	
Secretary(s)		15,211	
Clerical Personnel		900	
Other Salaries & Wages		47,626	
In-Service Training		1,553	
Social Security		7,014	
State Retirement		3,007	
Employer Medicare		1,640	
Other Fringe Benefits		4,753	
Travel		4,132	
Other Contracted Services		3,076	
Other Supplies and Materials		6,879	
In Service/Staff Development		2,985	
Other Charges		6,976	
Total Vocational Education Program			\$ 160,430

Office of the Principal

Principals	\$	2,000	
Social Security		124	
State Retirement		110	
Employer Medicare		29	
Total Office of the Principal			2,263

Transportation

Bus Drivers	\$	35,512	
Social Security		2,201	
Employer Medicare		515	
Total Transportation			38,228

Total School Federal Projects Fund \$ 3,782,736

Total Governmental Funds - Jefferson County School Department \$ 43,838,424

Exhibit K-9

Jefferson County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2005

	Cities - Sales Tax	Cities - Property Tax	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 551,137	\$ 551,137
Trustee's Collections - Prior Years	0	54,731	54,731
Circuit/Clerk and Master Collections - Prior Years	0	7,984	7,984
Interest and Penalty	0	7,490	7,490
Local Option Sales Tax	2,952,240	0	2,952,240
Total Cash Receipts	\$ 2,952,240	\$ 621,342	\$ 3,573,582
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,922,718	\$ 617,748	\$ 3,540,466
Trustee's Commission	29,522	12,347	41,869
Total Cash Disbursements	\$ 2,952,240	\$ 630,095	\$ 3,582,335
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ (8,753)	\$ (8,753)
Cash Balance, July 1, 2004	0	11,541	11,541
Cash Balance, June 30, 2005	\$ 0	\$ 2,788	\$ 2,788

STATISTICAL SECTION

Table 1

Jefferson County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

Year	Amount
1995	\$ 4,351
1996	6,346
1997	9,228
1998	10,919
1999	18,618
2000	61,429
2001	66,392
2002	80,692
2003	137,659
2004 (Personal Property Taxes)	33,106
Total	\$ 428,740

Table 2

Jefferson County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.79	\$ 0.75	\$ 0.85	\$ 0.90	\$ 0.92	\$ 0.72	\$ 0.73	\$ 0.70	\$ 0.70	\$ 0.74
Highway/Public Works	0.07	0.06	0.11	0.12	0.12	0.09	0.12	0.14	0.14	0.18
General Purpose School	0.92	0.77	0.77	0.78	0.79	0.62	0.62	0.66	0.66	0.76
General Debt Service	0.64	0.46	0.38	0.36	0.36	0.27	0.19	0.16	0.16	0.16
Solid Waste/Sanitation	0.30	0.22	0.22	0.22	0.22	0.19	0.18	0.18	0.18	0.18
General Capital Projects	0.04	0.04	0.05	0.04	0.07	0.04	0.04	0.04	0.04	0.04
Total Tax Rate	\$ 2.76	\$ 2.30	\$ 2.38	\$ 2.42	\$ 2.48	\$ 1.93	\$ 1.88	\$ 1.88	\$ 1.88	\$ 2.06
<u>Assessed Valuations</u>										
Real and Personal	\$ 268,749,143	\$ 353,041,957	\$ 375,388,820	\$ 391,296,795	\$ 409,846,275	\$ 549,208,720	\$ 575,386,272	\$ 590,162,379	\$ 612,071,285	\$ 633,878,858
Public Utilities	29,343,874	33,455,817	32,388,820	29,257,539	30,635,931	39,010,927	44,093,921	42,861,732	43,369,446	41,526,965
Total Assessed Valuation	\$ 298,093,017	\$ 386,497,774	\$ 407,777,640	\$ 420,554,334	\$ 440,482,206	\$ 588,219,647	\$ 619,480,193	\$ 633,024,111	\$ 655,440,731	\$ 675,405,823

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

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

December 13, 2005

Jefferson County Mayor and
Board of County Commissioners
Jefferson 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 Jefferson County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Jefferson County's basic financial statements and have issued our report thereon dated December 13, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jefferson County's ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03, 05.05, 05.06, 05.07, 05.08, 05.09, and 05.10.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.03 and 05.07 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson 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 05.02 and 05.04.

We have also noted certain matters that we reported to the management of Jefferson County in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 13, 2005

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Jefferson County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Jefferson 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 Jefferson County's management. Our responsibility is to express an opinion on Jefferson 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 auditing 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 Jefferson 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 on Jefferson County's compliance with those requirements.

In our opinion, Jefferson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Jefferson County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson County's internal control over compliance with 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jefferson County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 13, 2005. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

OTHER AUDITOR'S 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

For the Jefferson County Nursing Home

Board of Directors
Jefferson County Nursing Home
Dandridge, Tennessee

We have audited the accompanying financial statements of Jefferson County Nursing Home, a component unit of Jefferson County, Tennessee, as of and for the year ended June 30, 2005 and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in, Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jefferson County Nursing Home's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson County Nursing Home's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Jefferson County Nursing Home in a separate letter.

This report is intended solely for the information and use of management, the board of directors of Jefferson County Nursing Home, and the State of Tennessee, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties.

OTHER AUDITOR'S 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

For the Jefferson County Emergency Communications District

Board of Directors
Jefferson County E-911
Jefferson City, Tennessee

We have audited the financial statements of Jefferson County Emergency Communications District, a component unit of Jefferson County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the district's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the district'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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Jefferson County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number(s)	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	\$ 163,931
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	238,472
National School Lunch Program	10.555	(2)	<u>1,052,722</u>
Total U.S. Department of Agriculture			<u>\$ 1,455,125</u>
U.S. Department of Justice:			
Direct Programs:			
Public Safety Partnership and Community			
Policing Grants	16.710	N/A	\$ 168,915
Passed-through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law			
Enforcement Assistance Discretionary Grants Program	16.580	(2)	<u>5,485</u>
Total U.S. Department of Justice			<u>\$ 174,400</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 151,205
Passed-through State Department of Labor and			
Workforce Development:			
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-04-025634-01	<u>4,539</u>
Total U.S. Department of Labor			<u>\$ 155,744</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,516,184
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,425,815
Special Education - Preschool Grants	84.173	N/A	54,515
Vocational Education - Basic Grants to States	84.048	N/A	127,749
Safe and Drug-Free Schools and Communities -			
State Grants	84.186	(2)	35,590
Tech-Prep Education	84.243	N/A	3,776
Twenty-First Century Community Learning Centers	84.287	(2)	203,346
State Grants for Innovative Programs	84.298	N/A	125,355
Education Technology State Grants	84.318	(2)	39,959
English Language Acquisition Grants	84.365	N/A	47,450
Improving Teacher Quality State Grants	84.367	N/A	200,422
Passed-through State Department of Labor and			
Workforce Development:			
Adult Education - State Grant Program	84.002	Z-05-022233-00	<u>112,039</u>
Total U.S. Department of Education			<u>\$ 3,892,200</u>

(Continued)

Jefferson 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(s)	Expenditures
U.S. Department of Health and Human Services:			
Passed-through East Tennessee Human Resource Agency:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 39,272
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022325-00	15,627
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GG-05-11452-00	43,253
Total U.S. Department of Health and Human Services			<u>\$ 98,152</u>
U. S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(3)	\$ 174,214
Emergency Management Performance Grants	97.042	(4)	32,402
Total U. S. Department of Homeland Security			<u>\$ 206,616</u>
Total Expenditures of Federal Awards			<u>\$ 5,982,237</u>
<u>State Grants:</u>			
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 17,054
Aging Programs - East Tennessee			
Human Resource Agency	N/A	(2)	7,948
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	18,827
Litter Grant Program - State Dept. of Transportation	N/A	(2)	38,083
Waste Tire Grant - State Dept. of Environment and Conservation			
Solid Waste Grant - State Dept. of Environment and Conservation	N/A	(2)	1,991
Adult Education - State Dept. of Labor and Workforce Development	N/A	(2)	8,659
Family Resource Center - State Dept. of Education	N/A	(5)	33,253
Health Department Programs - State Dept. of Health	N/A	Z-05-021398-00	99,460
Library Archive Grant - State Archives	N/A	(2)	96,531
			<u>13,942</u>
Total State Grants			<u>\$ 335,748</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles
using the modified accrual basis of accounting.

(2) Information not available.

(3) Z-04-020111-00 and Z-03-017766-00

(4) Z-040020295-00 and Z-05-025371-00

(5) Z-04-016680-00 and Z-05-022233-00

Jefferson County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Jefferson County, Tennessee, and the Jefferson County School Department for the year ended June 30, 2004, which have not been corrected.

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	13	Purchase orders were not always issued properly

OFFICE OF SANITATION SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.03	13	The office had deficiencies in maintaining accounts receivable subsidiary records for the Solid Waste Disposal Fund
04.05	14	Purchase orders were not always issued properly

OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.06	14	Duties were not adequately segregated in the Offices of Trustee, Clerk and Master, Circuit and General Sessions Courts Clerk, and Sheriff
04.07	15	A central system of accounting, budgeting, and purchasing had not been adopted
04.08	15	The Solid Waste Disposal Fund had a deficit in net assets

JEFFERSON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of Jefferson County.
2. The audit of the financial statements disclosed reportable conditions in internal control. Two of these conditions were considered to be material weaknesses.
3. The audit did not disclose any instances of noncompliance that are material to the financial statements of Jefferson County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Jefferson 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 response from the trustee is paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF COUNTY MAYOR

FINDING 05.01 SOME PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders before purchases are made.

FINDING 05.02 THE OFFICE DID NOT SOLICIT COMPETITIVE BIDS FOR SOME APPLICABLE PURCHASES
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of a vehicle (\$29,500) and target kits (\$6,993) for the Sheriff's Department, and they were not solicited for computers for the libraries (\$16,496). Purchasing procedures for the office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-207, Tennessee Code Annotated, that provide for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

RECOMMENDATION

Competitive bids should be solicited through newspaper advertisements for all purchases exceeding \$5,000 as required by state statute.

FINDINGS 05.03 ACTUAL FUND BALANCES EXCEEDED ESTIMATED BEGINNING FUND BALANCES BY MATERIAL AMOUNTS
(Internal Control – Material Weakness Under Government Auditing Standards)

The General Fund’s actual fund balance at July 1, 2004, was \$4,048,243; however, the estimated fund balance reflected in the county’s budget was \$2,154,033. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget process by \$1,894,210.

The General Debt Service Fund’s actual fund balance at July 1, 2004, was \$6,121,834; however, the estimated fund balance reflected in the county’s budget was \$1,300,000. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget process by \$4,821,834.

RECOMMENDATION

Estimated beginning fund balances should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.



FINDING 05.04 DRUG CONTROL FUND EXPENDITURES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)

Drug Control Fund expenditures exceeded appropriations approved by the County Commission by \$7,239. Section 5-9-401, Tennessee Code Annotated, states that “All funds ... including, but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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



OFFICE OF SANITATION SUPERVISOR

FINDING 05.05 **THE OFFICE HAD DEFICIENCIES IN MAINTAINING ACCOUNTS RECEIVABLE SUBSIDIARY RECORDS FOR THE SOLID WASTE DISPOSAL FUND**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office had deficiencies in maintaining accounts receivable subsidiary records for the Solid Waste Disposal Fund. A computerized weight scale system at the county's landfill produced a monthly listing of waste received and calculated amounts owed by each customer. These amounts, along with amounts paid by customers, were then entered into a separate software package. This separate software package did not have sufficient capacity to maintain complete histories of all billings and payments received. To enter new transactions, periodically the bookkeeper had to delete history information, often affecting ending balances. Therefore, the accounts receivable balances were not always accurate and had not been reconciled with the general ledger. Also, it should be noted that a policy for the write-off of delinquent accounts had not been developed and approved by the Landfill Committee.

RECOMMENDATION

Accounts receivable balances should be accurately maintained and reconciled with the general ledger. Also, the Landfill Committee should develop a written policy for the write-off of delinquent accounts.

FINDING 05.06 **SOME PURCHASE ORDERS WERE ISSUED AFTER PURCHASES WERE MADE**
(Internal Control – Reportable Condition Under Government Auditing Standards)

In several instances, the office issued purchase orders after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval for the purchase.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders before purchases are made.

FINDING 05.07 THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT
(Internal Control – Material Weakness Under Government Auditing Standards)

The Solid Waste/Sanitation Fund's actual fund balance at July 1, 2004, was \$489,398; however, the estimated fund balance reflected in the county's budget was \$53,500. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget process by \$435,898.

RECOMMENDATION

The estimated beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.08 DUTIES WERE NOT ADEQUATELY SEGREGATED IN THE OFFICES OF TRUSTEE, CLERK AND MASTER, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not adequately segregated in the Offices of Trustee, Clerk and Master, Circuit and General Sessions Courts Clerk, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

MANAGEMENT'S RESPONSE – TRUSTEE

Due to the limited personnel it is not possible to properly segregate duties. As trustee, I do the bookkeeping, which includes reconciling all bank accounts and bank deposits. I have implemented internal controls and do segregate duties to the extent possible with the current staff.

FINDING 05.09 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing process.

RECOMMENDATION

County officials should consider adopting 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.

FINDING 05.10 THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN NET ASSETS
Internal Control – Reportable Condition Under Government Auditing Standards)

The Solid Waste Disposal Fund had a deficit of \$403,669 in net assets at June 30, 2005, an increase of \$139,668 from the previous year. This deficit primarily resulted from the recognition of liabilities for closure and post-closure care costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. The \$1,972,257 reported as landfill closure and post-closure care liability at June 30, 2005, represents the cumulative amount reported to date based on 32.5 percent of the estimated capacity of the Patterson Landfill Site (\$602,062) and post-closure care costs of the Highway 92 Landfill Site (\$1,370,195). Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

County officials should take steps to liquidate the net assets deficit.

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

There were no findings and questioned costs for federal awards.

**JEFFERSON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

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