

**ANNUAL FINANCIAL REPORT**  
**JEFFERSON COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2006**

**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, 2006**

***DEPARTMENT OF AUDIT***  
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***Comptroller of the Treasury***

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***State Auditors***

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

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# JEFFERSON COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Jefferson County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the basic financial statements of Jefferson County as of and for the year ended June 30, 2006.

## ***Results***

Our report on the governmental activities is qualified because capital assets records were not adequately maintained. Our report on the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is unqualified.

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

## ***Findings***

The following are summaries of the audit findings:

### **JEFFERSON COUNTY**

- ◆ Capital assets records maintained by employees of the County Mayor's Office for the primary government contained numerous material discrepancies, errors, misclassifications, inaccurate accumulated depreciation balances, and omissions of new capital assets acquisitions.

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### **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 lighting equipment for Sheriff's Department vehicles and radios and an all terrain vehicle for the Emergency Management Department.
-

## **OFFICE OF SANITATION SUPERVISOR**

- ◆ The Sanitation Supervisor entered into a lease-purchase agreement without the prior approval of the County Commission and did not file the Report on Debt Obligations within 45 days following the issuance of the debt.
  - ◆ Solid Waste Disposal Fund accounts receivable subsidiary records were not properly maintained and reconciled with the general ledger.
- 

## **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, Sheriff, and the Sanitation Supervisor.
- ◆ The Solid Waste Disposal Fund had a net assets deficit of \$440,184 at June 30, 2006.

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## INTRODUCTORY SECTION

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# Jefferson County Officials

## June 30, 2006

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### **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 Stiner, Sr.
Donald Finchum	Harold Taylor
Thomas Gentry	William 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 Loy, Jr.
Condon Batson	James Snodderly
Paul Condry	

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## FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

November 21, 2006

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, 2006, 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 7.3 percent and 12.8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units) and the Jefferson County Emergency Communications District (which represent 0.9 percent and 1.4 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.

Due to internal control weaknesses related to the maintenance of capital asset records by the management of Jefferson County, Tennessee, we could not determine if all capital assets of the governmental activities of the primary government have been properly recorded and depreciated. The effects on the governmental activities are not reasonably determinable.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments to amounts included for the governmental activities of the primary government, if any, as might have been determined to be necessary had capital assets records been properly maintained, 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, 2006, 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 November 21, 2006, 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 adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, and GASB Statement No. 47, Accounting for Termination Benefits.

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 89 through 95 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), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

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/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Jefferson County, Tennessee  
Statement of Net Assets  
June 30, 2006

	Primary Government			Component Units		
	Governmental	Business-type	Total	Jefferson	Jefferson	Emergency
	Activities	Activities		School	County	Communica-
				Department	Nursing	tions
					Home	District
<u>ASSETS</u>						
Cash and Equivalents	\$ 223,659	\$ 25	\$ 223,684	\$ 9,552	\$ 403,141	\$ 133,389
Equity in Pooled Cash and Investments	13,447,345	195,612	13,642,957	5,885,660	0	0
Inventories	0	0	0	0	25,138	0
Accounts Receivable	265,617	53,574	319,191	28,501	640,104	30,284
Due from Other Governments	511,635	0	511,635	1,244,985	0	0
Internal Balances	(64,521)	64,521	0	0	0	0
Prepaid Items	0	0	0	0	6,535	17,511
Accrued Interest Receivable	0	0	0	0	1,790	0
Property Taxes Receivable	11,190,259	0	11,190,259	6,018,290	0	0
Allowance for Uncollectible Property Taxes	(312,306)	0	(312,306)	(167,964)	0	0
Unamortized Debt Issuance Cost	94,263	0	94,263	0	0	0
Restricted Assets						
Other Restricted Assets	0	0	0	0	23,157	0
Capital Assets						
Assets Not Depreciated:						
Land	1,159,625	461,930	1,621,555	536,841	7,181	0
Construction in Progress	14,814,283	0	14,814,283	1,679,962	0	0
Assets Net of Accumulated Depreciation:						
Landfill Facilities and Development	0	167,909	167,909	0	0	0
Buildings and Improvements	1,264,205	95,241	1,359,446	17,658,083	0	0
Machinery and Equipment	0	1,122,500	1,122,500	356,919	0	0
Other Capital Assets	2,189,355	0	2,189,355	1,058,533	1,618,458	144,700
Infrastructure	84,688,233	0	84,688,233	0	0	0
<b>Total Assets</b>	<b>\$ 129,471,652</b>	<b>\$ 2,161,312</b>	<b>\$ 131,632,964</b>	<b>\$ 34,309,362</b>	<b>\$ 2,725,504</b>	<b>\$ 325,884</b>

(Continued)

Exhibit A

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

	Primary Government			Component Units		
	Governmental	Business-type	Total	Jefferson	Jefferson	Emergency
	Activities	Activities		School	County	Communica-
				Department	Nursing	tions
					Home	District
<b>LIABILITIES</b>						
Accounts Payable	\$ 216,619	\$ 448,259	\$ 664,878	\$ 139,645	\$ 208,041	\$ 7,744
Accrued Payroll	34,877	7,240	42,117	0	52,570	11,264
Accrued Interest Payable	167,139	0	167,139	0	0	0
Payroll Deductions Payable	15,330	667	15,997	1,527,837	10,743	0
Contracts Payable	802,167	0	802,167	118,695	0	0
Retainage Payable	91,385	0	91,385	0	0	0
Due to the State of Tennessee	27,118	6,587	33,705	20,021	0	0
Other Current Liabilities	1,880	0	1,880	0	0	64,677
Deferred Revenue - Property Taxes	10,577,407	0	10,577,407	5,688,688	0	0
Noncurrent Liabilities:						
Due Within One Year	1,925,069	106,613	2,031,682	380,204	132,334	0
Due in More than One Year	37,371,075	2,032,130	39,403,205	380,696	0	0
<b>Total Liabilities</b>	<b>\$ 51,230,066</b>	<b>\$ 2,601,496</b>	<b>\$ 53,831,562</b>	<b>\$ 8,255,786</b>	<b>\$ 403,688</b>	<b>\$ 83,685</b>
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	\$ 91,864,763	\$ 1,656,325	\$ 93,521,088	\$ 0	\$ 0	\$ 0
Invested in Capital Assets	0	0	0	21,290,338	1,625,639	144,700
Restricted for:						
Solid Waste/Sanitation	389,160	0	389,160	0	0	0
Drug Control	44,147	0	44,147	0	0	0
Highways	1,055,503	0	1,055,503	0	0	0
Debt Service	5,247,253	0	5,247,253	0	0	0
Capital Projects	609,939	0	609,939	1,047,710	0	0
State and Federal Financial Assistance Programs	185,093	0	185,093	1,191,878	0	0
Other Purposes	0	0	0	0	18,457	0
Unrestricted	(21,154,272)	(2,096,509)	(23,250,781)	2,523,650	677,720	97,499
<b>Total Net Assets (Deficit)</b>	<b>\$ 78,241,586</b>	<b>\$ (440,184)</b>	<b>\$ 77,801,402</b>	<b>\$ 26,053,576</b>	<b>\$ 2,321,816</b>	<b>\$ 242,199</b>

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, 2006

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 Communications District
<b>Primary Government:</b>										
Governmental Activities:										
General Government	\$ 1,345,274	\$ 711,184	\$ 16,380	\$ 115,000	\$ (502,710)	\$ 0	\$ (502,710)	\$ 0	\$ 0	\$ 0
Finance	1,285,850	1,087,085	18,965	0	(179,800)	0	(179,800)	0	0	0
Administration of Justice	788,261	682,250	13,950	0	(92,061)	0	(92,061)	0	0	0
Public Safety	4,288,595	979,935	374,649	0	(2,934,011)	0	(2,934,011)	0	0	0
Public Health and Welfare	5,451,030	2,938,337	114,140	146,625	(2,251,928)	0	(2,251,928)	0	0	0
Social, Cultural, and Recreational Services	606,153	48,221	190,149	0	(367,783)	0	(367,783)	0	0	0
Agricultural and Natural Resources	106,163	0	0	0	(106,163)	0	(106,163)	0	0	0
Other Operations	624,348	0	0	0	(624,348)	0	(624,348)	0	0	0
Highways	4,538,785	36,763	1,916,040	378,157	(2,207,825)	0	(2,207,825)	0	0	0
Education	2,000,000	0	9,130	0	(1,990,870)	0	(1,990,870)	0	0	0
Interest on Long-term Debt	1,513,494	0	0	0	(1,513,494)	0	(1,513,494)	0	0	0
Debt Service	65,627	0	0	0	(65,627)	0	(65,627)	0	0	0
<b>Total Governmental Activities</b>	<b>\$ 22,613,580</b>	<b>\$ 6,483,775</b>	<b>\$ 2,653,403</b>	<b>\$ 639,782</b>	<b>\$ (12,836,620)</b>	<b>\$ 0</b>	<b>\$ (12,836,620)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Business-type Activities:										
Solid Waste/Disposal	\$ 1,352,251	\$ 1,295,305	\$ 30,683	\$ 0	\$ 0	\$ (26,263)	\$ (26,263)	\$ 0	\$ 0	\$ 0
<b>Total Business-type Activities</b>	<b>\$ 1,352,251</b>	<b>\$ 1,295,305</b>	<b>\$ 30,683</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (26,263)</b>	<b>\$ (26,263)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Primary Government</b>	<b>\$ 23,965,831</b>	<b>\$ 7,779,080</b>	<b>\$ 2,684,086</b>	<b>\$ 639,782</b>	<b>\$ (12,836,620)</b>	<b>\$ (26,263)</b>	<b>\$ (12,862,883)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Component Units:</b>										
Jefferson County School Department										
Department	\$ 46,443,461	\$ 1,537,651	\$ 5,916,905	\$ 2,000,000	\$ 0	\$ 0	\$ 0	\$ (36,988,905)	\$ 0	\$ 0
Jefferson County Nursing Home										
Nursing Home	7,171,738	7,162,038	0	0	0	0	0	0	(9,700)	0
Emergency Communications District										
District	896,399	459,100	0	0	0	0	0	0	0	(437,299)
<b>Total Component Units</b>	<b>\$ 54,511,598</b>	<b>\$ 9,158,789</b>	<b>\$ 5,916,905</b>	<b>\$ 2,000,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (36,988,905)</b>	<b>\$ (9,700)</b>	<b>\$ (437,299)</b>

(Continued)

Exhibit B

Jefferson County, Tennessee  
Statement of Activities (Cont.)

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 Communications District
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes					\$ 8,407,627	\$ 0	\$ 8,407,627	\$ 5,508,606	\$ 0	\$ 0
Property Taxes Levied for Debt Service					1,894,485	0	1,894,485	0	0	0
Local Option Sales Taxes					0	0	0	4,592,223	0	0
Other Local Taxes					1,928,898	0	1,928,898	12,927	0	0
Grants and Contributions Not Restricted to Specific Programs					185,530	0	185,530	28,528,180	1,729	328,000
Unrestricted Investment Income					931,829	0	931,829	21,686	19,428	1,627
Miscellaneous					17,954	0	17,954	62,323	0	0
Gain from Reduction in Estimate of Landfill Postclosure Care Cost					0	69,748	69,748	0	0	0
Gain on Disposal of Capital Assets					0	20,000	20,000	2,400	0	0
<b>Total General Revenues</b>					<b>\$ 13,366,323</b>	<b>\$ 89,748</b>	<b>\$ 13,456,071</b>	<b>\$ 38,728,345</b>	<b>\$ 21,157</b>	<b>\$ 329,627</b>
Transfers					\$ 100,000	\$ (100,000)	\$ 0	\$ 0	\$ 0	\$ 0
Change in Net Assets					\$ 629,703	\$ (36,515)	\$ 593,188	\$ 1,739,440	\$ 11,457	\$ (107,672)
Prior Period Adjustment					(1,091,930)	0	(1,091,930)	0	0	0
<b>Net Assets (Deficit), July 1, 2005</b>					<b>78,703,813</b>	<b>(403,669)</b>	<b>78,300,144</b>	<b>24,314,136</b>	<b>2,310,359</b>	<b>349,871</b>
<b>Net Assets (Deficit), June 30, 2006</b>					<b>\$ 78,241,586</b>	<b>\$ (440,184)</b>	<b>\$ 77,801,402</b>	<b>\$ 26,053,576</b>	<b>\$ 2,321,816</b>	<b>\$ 242,199</b>

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, 2006

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Governmental Funds	
<u>ASSETS</u>							
Cash	\$ 24,493	\$ 0	\$ 0	\$ 0	\$ 0	\$ 180,927	\$ 205,420
Equity in Pooled Cash and Investments	3,548,941	432,909	894,850	5,358,829	496,143	1,749,411	12,481,083
Accounts Receivable	245,553	0	2,033	0	0	14,079	261,665
Due from Other Governments	106,489	0	289,330	0	0	115,816	511,635
Due from Other Funds	4,002	0	1,163	0	0	966,262	971,427
Property Taxes Receivable	5,747,599	1,316,501	1,414,343	2,429,708	0	282,108	11,190,259
Allowance for Uncollectible Property Taxes	(163,930)	(36,742)	(40,646)	(63,115)	0	(7,873)	(312,306)
<b>Total Assets</b>	<b>\$ 9,513,147</b>	<b>\$ 1,712,668</b>	<b>\$ 2,561,073</b>	<b>\$ 7,725,422</b>	<b>\$ 496,143</b>	<b>\$ 3,300,730</b>	<b>\$ 25,309,183</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 84,492	\$ 1,566	\$ 55,072	\$ 0	\$ 0	\$ 70,493	\$ 211,623
Accrued Payroll	0	6,276	28,601	0	0	0	34,877
Payroll Deductions Payable	15,173	157	0	0	0	0	15,330
Contracts Payable	0	0	0	0	802,167	0	802,167
Retainage Payable	0	0	0	0	91,385	0	91,385
Due to Other Funds	0	65,684	0	0	0	50	65,734
Due to State of Tennessee	27,118	0	0	0	0	0	27,118
Other Current Liabilities	1,880	0	0	0	0	0	1,880
Deferred Revenue - Current Property Taxes	5,422,031	1,244,401	1,333,287	2,311,030	0	266,658	10,577,407
Deferred Revenue - Delinquent Property Taxes	119,126	26,080	29,807	40,984	0	5,589	221,586
Other Deferred Revenues	19,146	0	149,692	0	0	115,000	283,838
<b>Total Liabilities</b>	<b>\$ 5,688,966</b>	<b>\$ 1,344,164</b>	<b>\$ 1,596,459</b>	<b>\$ 2,352,014</b>	<b>\$ 893,552</b>	<b>\$ 457,790</b>	<b>\$ 12,332,945</b>
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 77,135	\$ 0	\$ 0	\$ 0	\$ 1,585,088	\$ 573,837	\$ 2,236,060
Reserved for Alcohol and Drug Treatment	124,433	0	0	0	0	0	124,433
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	13,692	0	0	0	0	0	13,692
Reserved for Sexual Offender Registration	4,025	0	0	0	0	0	4,025
Reserved for Other General Purposes	40,081	0	0	0	0	0	40,081

(Continued)

Exhibit C-1

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Unreserved, Reported In:							
General Fund	\$ 3,564,815	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,564,815
Special Revenue Funds	0	368,504	964,614	0	0	1,952,968	3,286,086
Debt Service Funds	0	0	0	5,373,408	0	0	5,373,408
Capital Projects Funds (Deficit)	0	0	0	0	(1,982,497)	316,135	(1,666,362)
Total Fund Balances	<u>\$ 3,824,181</u>	<u>\$ 368,504</u>	<u>\$ 964,614</u>	<u>\$ 5,373,408</u>	<u>\$ (397,409)</u>	<u>\$ 2,842,940</u>	<u>\$ 12,976,238</u>
Total Liabilities and Fund Balances	<u>\$ 9,513,147</u>	<u>\$ 1,712,668</u>	<u>\$ 2,561,073</u>	<u>\$ 7,725,422</u>	<u>\$ 496,143</u>	<u>\$ 3,300,730</u>	<u>\$ 25,309,183</u>

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

Exhibit C-2

Jefferson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2006

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)		\$ 12,976,238
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,159,625	
Add: construction in progress	14,814,283	
Add: buildings and improvements net of accumulated depreciation	1,264,205	
Add: other capital assets net of accumulated depreciation	2,189,355	
Add: infrastructure net of accumulated depreciation	<u>84,688,233</u>	104,115,701
(2) An internal service fund is used by management to charge the cost of employee dental and vision programs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		13,243
(3) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		
Less: other loans payable	\$ (36,709,512)	
Less: capital leases payable	(225,689)	
Less: bonds payable	(1,930,000)	
Add: deferred charges - debt issuance costs	94,263	
Less: compensated absences payable	(430,943)	
Less: accrued interest on bonds, capital leases, and other loans	<u>(167,139)</u>	(39,369,020)
(4) Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>505,424</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 78,241,586</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, 2006

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 6,527,822	\$ 1,235,750	\$ 1,401,678	\$ 2,921,750	\$ 0	\$ 265,294	\$ 12,352,294
Licenses and Permits	492,889	0	0	0	0	0	492,889
Fines, Forfeitures, and Penalties	268,084	0	0	0	0	31,493	299,577
Charges for Current Services	2,887,854	0	31,263	0	0	731,313	3,650,430
Other Local Revenues	29,601	0	489	867,777	0	64,052	961,919
Fees Received from County Officials	1,108,479	0	0	0	0	0	1,108,479
State of Tennessee	1,133,931	0	1,953,396	0	0	0	3,087,327
Federal Government	314,542	0	0	0	0	0	314,542
Other Governments and Citizens Groups	210,679	0	5,500	146,625	0	1,716,262	2,079,066
Total Revenues	\$ 12,973,881	\$ 1,235,750	\$ 3,392,326	\$ 3,936,152	\$ 0	\$ 2,808,414	\$ 24,346,523
<u>Expenditures</u>							
Current:							
General Government	\$ 1,059,036	\$ 0	\$ 0	\$ 0	\$ 0	\$ 206,155	\$ 1,265,191
Finance	667,025	0	0	0	0	558,671	1,225,696
Administration of Justice	749,639	0	0	0	0	41	749,680
Public Safety	4,153,207	0	0	0	0	19,939	4,173,146
Public Health and Welfare	3,861,248	1,436,377	0	0	0	0	5,297,625
Social, Cultural, and Recreational Services	565,346	0	0	0	0	0	565,346
Agricultural and Natural Resources	102,702	0	0	0	0	0	102,702
Other Operations	1,096,131	4,320	0	0	0	0	1,100,451
Highways	0	0	3,314,841	0	0	0	3,314,841
Debt Service:							
Principal on Debt	158,599	0	0	2,080,000	0	0	2,238,599
Interest on Debt	5,184	0	0	1,449,980	0	0	1,455,164
Other Debt Service	350	0	0	60,540	0	0	60,890
Capital Projects	1,125	0	0	2,000,000	13,444,633	277,532	15,723,290
Total Expenditures	\$ 12,419,592	\$ 1,440,697	\$ 3,314,841	\$ 5,590,520	\$ 13,444,633	\$ 1,062,338	\$ 37,272,621
Excess (Deficiency) of Revenues Over Expenditures	\$ 554,289	\$ (204,947)	\$ 77,485	\$ (1,654,368)	\$ (13,444,633)	\$ 1,746,076	\$ (12,926,098)
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 217,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 217,050
Insurance Recovery	54,816	0	9,383	0	0	0	64,199

(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	Other Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,900,512	\$ 0	\$ 12,900,512
Transfers In	0	0	0	100,000	540,208	350,000	990,208
Transfers Out	(785,208)	0	0	0	0	(105,000)	(890,208)
Total Other Financing Sources (Uses)	\$ (513,342)	\$ 0	\$ 9,383	\$ 100,000	\$ 13,440,720	\$ 245,000	\$ 13,281,761
Net Change in Fund Balances	\$ 40,947	\$ (204,947)	\$ 86,868	\$ (1,554,368)	\$ (3,913)	\$ 1,991,076	\$ 355,663
Fund Balance, July 1, 2005	3,783,234	573,451	877,746	6,927,776	(393,496)	851,864	12,620,575
Fund Balance, June 30, 2006	\$ 3,824,181	\$ 368,504	\$ 964,614	\$ 5,373,408	\$ (397,409)	\$ 2,842,940	\$ 12,976,238

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

Exhibit C-4

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, 2006

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)	\$	355,663
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 14,165,289	
Less: current year depreciation expense	<u>(1,694,740)</u>	12,470,549
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized		378,157
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 505,424	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(437,596)</u>	67,828
(4) The issuance of long-term debt (e.g., other loans, leases) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: other loan proceeds	\$ (12,900,512)	
Less: capital lease proceeds	(217,050)	
Less: change in deferred debt issuance costs	(4,737)	
Add: principal payments on other loans	1,090,000	
Add: principal payments on capital leases	158,599	
Add: principal payments on bonds	<u>990,000</u>	(10,883,700)
(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.		
Less: change in accrued interest payable	\$ (58,330)	
Less: change in compensated absences	<u>(42,623)</u>	(100,953)
(6) An internal service fund is used by management to charge the cost of employee dental and vision benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		767

(Continued)

Exhibit C-4

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) Investment in joint venture recognized in the statement of activities as of June 30, 2005.	<u>\$ (1,658,608)</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 629,703</u></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, 2006

	Business-type Activities - Enterprise Fund <hr/> Solid Waste Disposal Fund	Governmental Activities - Internal Service Fund <hr/> Employee Insurance - Dental and Vision Fund
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 25	\$ 0
Equity in Pooled Cash and Investments	195,612	18,239
Accounts Receivable	53,574	0
Due from Other Funds	65,684	0
Total Current Assets	<hr/> \$ 314,895	<hr/> \$ 18,239
Noncurrent Assets:		
Capital Assets:		
Assets Not Depreciated:		
Land	\$ 461,930	\$ 0
Assets Net of Accumulated Depreciation:		
Landfill Facilities and Development	167,909	0
Buildings and Improvements	95,241	0
Machinery and Equipment	1,122,500	0
Total Noncurrent Assets	<hr/> \$ 1,847,580	<hr/> \$ 0
Total Assets	<hr/> \$ 2,162,475	<hr/> \$ 18,239
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$ 448,259	\$ 4,996
Accrued Payroll	7,240	0
Payroll Deductions Payable	667	0
Due to Other Funds	1,163	0
Due to the State of Tennessee	6,587	0
Current Portion of Long-term Liabilities	106,613	0
Total Current Liabilities	<hr/> \$ 570,529	<hr/> \$ 4,996
Noncurrent Liabilities:		
Due in More Than One Year	\$ 2,032,130	\$ 0
Total Noncurrent Liabilities	<hr/> \$ 2,032,130	<hr/> \$ 0
Total Liabilities	<hr/> \$ 2,602,659	<hr/> \$ 4,996
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt Unrestricted	<hr/> \$ 1,656,325 (2,096,509)	<hr/> \$ 0 13,243
Net Assets	<hr/> \$ (440,184)	<hr/> \$ 13,243

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, 2006

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
<u>Operating Revenues</u>		
Tipping Fees	\$ 1,190,100	\$ 0
Lease/Rentals	1,837	0
Sale of Recycled Materials	101,826	0
Miscellaneous Refunds	1,542	0
Solid Waste Grants	17,596	0
Other State Grants	13,087	0
Self Insurance Premiums/Contributions	0	92,113
Total Operating Revenues	<u>\$ 1,325,988</u>	<u>\$ 92,113</u>
<u>Operating Expenses</u>		
<u>Cost of Sales and Services</u>		
Supervisor/Director	\$ 26,382	\$ 0
Accountants/Bookkeepers	33,589	0
Longevity Pay	8,700	0
Laborers	347,100	0
Board and Committee Members Fees	4,320	0
Social Security	31,493	0
State Retirement	53,085	0
Employee and Dependant Insurance	78,251	0
Life Insurance	1,032	0
Dental Insurance	1,888	0
Unemployment Compensation	426	0
Data Processing Services	10,346	0
Engineering Services	8,113	0
Evaluation and Testing	15,187	0
Maintenance & Repair Services - Equipment	126,923	0
Postal Charges	345	0
Rentals	2,303	0
Travel	414	0
Other Contracted Services	83,964	0
Crushed Stone	18,659	0
Diesel Fuel	75,064	0
Fertilizer, Lime, and Seed	476	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 Fund	Employee Insurance - Dental and Vision Fund
	_____	_____
<u>Operating Expenses (Cont.)</u>		
<u>Cost of Sales and Services (Cont.)</u>		
Gasoline	\$ 8,368	\$ 0
Lubricants	5,438	0
Office Supplies	2,995	0
Pipe	2,353	0
Propane Gas	2,819	0
Small Tools	469	0
Tires and Tubes	374	0
Utilities	9,030	0
Chemicals	5,610	0
Other Supplies and Materials	9,634	0
Liability Insurance	6,648	0
Trustee's Commission	11,595	0
Vehicle and Equipment Insurance	8,127	0
Workers' Compensation Insurance	28,000	0
Depreciation	210,449	0
Surcharge	22,402	0
Landfill Closure/Postclosure Care Costs	46,313	0
Other Charges	25,542	0
Solid Waste Equipment	14,685	0
Handling Charges and Administrative Costs	0	18,626
Other Self-Insured Claims	0	72,720
Total Operating Expenses	<u>\$ 1,348,911</u>	<u>\$ 91,346</u>
Operating Income (Loss)	<u>\$ (22,923)</u>	<u>\$ 767</u>
<u>Nonoperating Revenues (Expenses)</u>		
Interest on Capital Lease	\$ (3,340)	\$ 0
Gain on Disposal of Assets	20,000	0
Gain from Reduction in Estimate of Landfill Postclosure Care Cost	69,748	0
Total Nonoperating Revenues (Expenses)	<u>\$ 86,408</u>	<u>\$ 0</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 Fund	Employee Insurance - Dental and Vision Fund
Income (Loss) Before Transfers	\$ 63,485	\$ 767
Transfers Out	(100,000)	0
Change in Net Assets	\$ (36,515)	\$ 767
Net Assets - July 1, 2005	(403,669)	12,476
Net Assets - June 30, 2006	<u>\$ (440,184)</u>	<u>\$ 13,243</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, 2006

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
<u>Cash Flows from Operating Activities</u>		
Receipts from Customers and Users	\$ 1,163,262	\$ 0
Receipts from Recycled Materials	101,826	0
Receipts from Other Operating Grants	30,683	0
Receipts for Self-Insurance Premiums	0	92,113
Payments to Employees and Board Members	(420,091)	0
Payments to Suppliers	(533,749)	0
Payment to Others	(159,575)	0
Payments for Claims	0	(71,157)
Payments for Administrative Costs	0	(18,626)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 182,356</u>	<u>\$ 2,330</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Proceeds from Sale of Equipment	\$ 20,000	\$ 0
Acquisition and Construction of Capital Assets	(54,447)	0
Principal Paid on Capital Lease	(32,650)	0
Interest Paid on Capital Lease	(3,340)	0
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (70,437)</u>	<u>\$ 0</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>
Increase (Decrease) in Cash	\$ 11,919	\$ 2,330
Cash, July 1, 2005	<u>183,718</u>	<u>15,909</u>
Cash, June 30, 2006	<u><u>\$ 195,637</u></u>	<u><u>\$ 18,239</u></u>

(Continued)

Exhibit D-3

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

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Fund
	Solid Waste Disposal Fund	Employee Insurance - Dental and Vision Fund
<u>Reconciliation of Net Operating Income (Loss)</u>		
<u>to Net Cash Provided By (Used In) Operating Activities</u>		
Operating Income (Loss)	\$ (22,923)	\$ 767
Adjustments to Reconcile Net Operating Income (Loss)		
to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	210,449	0
Landfill Closure/Postclosure Care Cost	39,938	0
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(5,051)	0
(Increase) Decrease in Due from Other Funds	(25,166)	0
Increase (Decrease) in Operating Accounts Payable	(22,613)	1,563
Increase (Decrease) in Accrued Payroll	1,038	0
Increase (Decrease) in Payroll Deductions Payable	530	0
Increase (Decrease) in Compensated Absences	(1,596)	0
Increase (Decrease) in Due to Other Funds	1,163	0
Increase (Decrease) in Due to State of Tennessee	6,587	0
Net Cash Provided By (Used In) Operating Activities	<u>\$ 182,356</u>	<u>\$ 2,330</u>
<u>Reconciliation of Cash with Statement</u>		
<u>of Net Assets</u>		
Cash per Net Assets	\$ 25	\$ 0
Equity in Pooled Cash and Investments per Net Assets	<u>195,612</u>	<u>18,239</u>
Cash, June 30, 2006	<u>\$ 195,637</u>	<u>\$ 18,239</u>
<u>Noncash Investing, Capital, and Financing Activities:</u>		
Borrowing under Capital Lease	\$ 223,905	\$ 0
Purchase of Equipment on Account	444,325	0

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, 2006

	Other Employee Benefit Trust Fund	
	<u>Flexible Benefit Fund</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash	\$ 0	\$ 1,632,062
Equity in Pooled Cash and Investments	1,942	1,938,325
Accounts Receivable	0	641
Due from Other Governments	0	567,925
Property Taxes Receivable	0	882,143
Allowance for Uncollectible Property Taxes	0	(23,812)
	<u>0</u>	<u>(23,812)</u>
Total Assets	<u>\$ 1,942</u>	<u>\$ 4,997,284</u>
<u>LIABILITIES</u>		
Due to Other Funds	\$ 0	\$ 970,214
Due to Other Taxing Units	0	2,398,319
Due to Litigants, Heirs, and Others	0	1,628,751
	<u>0</u>	<u>1,628,751</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 4,997,284</u>
<u>NET ASSETS</u>		
Funds Held in Trust for Employees	<u>\$ 1,942</u>	
Net Assets	<u>\$ 1,942</u>	

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, 2006

	Other Employee Benefit Trust Fund
	<hr/>
	Flexible Benefit Fund
	<hr/>
<u>ADDITIONS</u>	
Plan Member Contributions	\$ 5,413
Total Additions	<u>\$ 5,413</u>
<u>DEDUCTIONS</u>	
Employee Benefits:	
Other Fringe Benefits	\$ 5,775
Total Deductions	<u>\$ 5,775</u>
Change in Net Assets	\$ (362)
Net Assets, July 1, 2005	<u>2,304</u>
Net Assets, June 30, 2006	<u><u>\$ 1,942</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, 2006**

**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 nursing care to the citizens of Jefferson County, and the Jefferson County Commission appoints its governing body. Patient charges provide the majority of the revenues for the entity. Before the issuance of debt instruments, the entity must obtain the County Commission's approval.

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 Jefferson County Commission confirms the board members, but the county's accountability for the 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. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The 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.

Jefferson County issues all debt for the discretely presented Jefferson County School Department. During the year, the primary government contributed \$2,000,000 from internally issued capital outlay notes to the School Department to be used to fund capital expenditures.

Separate financial statements are provided for governmental funds, proprietary funds (internal service or enterprise), 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 individual major enterprise funds 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, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of 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 major individual enterprise funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service fund 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the 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 (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

**Other Capital Projects Fund** – This fund accounts for transactions related to the construction of the county’s justice center.

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:

**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** – This 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.

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for the receipt of contributions from Jefferson County for building construction and renovations.

**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 School Department employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to the same limitations. Jefferson County has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has 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. Operating expenses for the internal service funds include 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 funds.

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.49 percent of total taxes levied.

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes

are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

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

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

Most payables are disaggregated on the face of the financial statements. The other current liabilities reflected in the primary government funds represent deposits placed with Jefferson County for building, zoning, and environmental permits.

Retainage payable in the primary government's Other Capital Projects Fund (a major fund) and the Jefferson County School Department's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the applicable fund.

### **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.

**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. Thirteen employees received this incentive during the 2005-06 year. The financial statements of this report reflect expenditures of \$54,686 in the General Purpose School Fund for the accumulated sick leave incentive payments. The liability for compensated absences includes \$513,670 for accumulated sick leave commitments at June 30, 2006.

**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.

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.

**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, 2006, Jefferson County had \$26,520,000 in outstanding debt for capital purposes for the discretely presented Jefferson County School Department. This debt is a liability of Jefferson County, but the capital assets acquired are reported in the financial statements of the School Department. 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 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.

**7. Prior-period Adjustment**

Capital assets were restated (\$1,091,930) from the prior year because certain assets, including land for the justice center (\$850,000), had been inadvertently recorded twice.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

**Primary Government**

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

**Discretely Presented Jefferson County School Department**

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

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

### Primary Government

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

### Discretely Presented Jefferson County School Department

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

## **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Other Special Revenue Fund (special revenue fund) and the Constitutional Officers – Fees Fund (special revenue fund) which are not budgeted, and the Other Capital Projects Fund, which adopted a project length budget. All annual appropriations lapse at fiscal year end.

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

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

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

**B. Net Assets Deficit/Fund Deficit**

The Other Capital Projects Fund had an unreserved fund deficit of \$1,982,497 at June 30, 2006. This fund deficit resulted from the recognition of contracts payable of \$802,167 and the unperformed portions of construction contracts of \$1,585,088 being reserved as encumbrances. Funding for these future expenditures has been provided for through other loans.

The Solid Waste Disposal Fund had a net asset deficit of \$440,184 and an unrestricted net assets deficit of \$2,096,509 at June 30, 2006. Further details relating to liabilities recorded in this fund are disclosed in Note V.E. Landfill Closure/Postclosure Care Cost.

The Education Capital Projects Fund of the Jefferson County School Department had an unreserved fund balance deficit of \$3,004,503 at June 30, 2006. This deficit resulted from the recognition of the unperformed portions of construction contracts of \$4,052,213 being reserved as encumbrances. Funding for these future expenditures will be provided through a bond issue which has been approved by the County Commission.

The School Federal Projects Fund of the Jefferson County School Department had an unreserved fund deficit of \$7,299 at June 30, 2006. This deficit resulted from the corresponding grant revenues not being requested and recognized as revenue during the current period. Funding to liquidate this deficit was received subsequent to June 30, 2006.

**C. A Lease-Purchase Agreement Was Not Authorized by the County Commission**

On February 23, 2006, the Sanitation Supervisor entered into a four-year lease-purchase agreement for landfill equipment without prior authorization from the County Commission. The terms of the agreement require total lease payments of \$223,905 plus interest of five percent. This agreement was authorized by the County Commission in July 2006.

**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, 2006, 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	\$ 1,706,754
Jefferson County (Hospital) Capital Outlay Note	6-19-07	<u>50,000</u>
Total		<u>\$ 1,756,754</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, 2006, 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, 2006, was as follows:

Primary Government

**Governmental Activities:**

	Balance 7-1-05	Increases	Prior Period Adjustments	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,159,625	\$ 0	\$ 0	\$ 1,159,625
Construction in Progress	<u>2,061,249</u>	<u>13,603,034</u>	<u>(850,000)</u>	<u>14,814,283</u>
Total Capital Assets Not Depreciated	<u>\$ 3,220,874</u>	<u>\$ 13,603,034</u>	<u>\$ (850,000)</u>	<u>\$ 15,973,908</u>

**Governmental Activities (Cont.):**

	Balance 7-1-05	Increases	Prior Period Adjustments	Balance 6-30-06
Capital Assets Depreciated:				
Buildings and Improvements	\$ 2,633,966	\$ 0	\$ (278,248)	\$ 2,355,718
Other Capital Assets	4,540,140	562,255	96,299	5,198,694
Infrastructure	111,054,997	378,157	0	111,433,154
Total Capital Assets Depreciated	<u>\$ 118,229,103</u>	<u>\$ 940,412</u>	<u>\$ (181,949)</u>	<u>\$ 118,987,566</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,180,986	\$ 55,177	\$ (144,650)	\$ 1,091,513
Other Capital Assets	2,273,368	531,340	204,631	3,009,339
Infrastructure	25,636,698	1,108,223	0	26,744,921
Total Accumulated Depreciation	<u>\$ 29,091,052</u>	<u>\$ 1,694,740</u>	<u>\$ 59,981</u>	<u>\$ 30,845,773</u>
Total Capital Assets Depreciated, Net	<u>\$ 89,138,051</u>	<u>\$ (754,328)</u>	<u>\$ (241,930)</u>	<u>\$ 88,141,793</u>
Governmental Activities Capital Assets, Net	<u>\$ 92,358,925</u>	<u>\$ 12,848,706</u>	<u>\$ (1,091,930)</u>	<u>\$ 104,115,701</u>

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

## Governmental Activities:

General Government	\$ 15,677
Administration of Justice	3,350
Public Safety	187,216
Public Health and Welfare	270,837
Social, Cultural, and Recreational Services	6,450
Highways/Public Works	<u>1,211,210</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,694,740</u>

**Business-type Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 461,930	\$ 0	\$ 0	\$ 461,930
Total Capital Assets Not Depreciated	<u>\$ 461,930</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 461,930</u>
Capital Assets Depreciated:				
Landfill Facilities and Development	\$ 458,228	\$ 0	\$ 0	\$ 458,228
Buildings and Improvements	289,940	0	0	289,940
Machinery and Equipment	1,862,379	722,677	(134,668)	2,450,388
Total Capital Assets Depreciated	<u>\$ 2,610,547</u>	<u>\$ 722,677</u>	<u>\$ (134,668)</u>	<u>\$ 3,198,556</u>
Less Accumulated Depreciated For:				
Landfill Facilities and Development	\$ 272,073	\$ 18,246	\$ 0	\$ 290,319
Buildings and Improvements	180,037	14,662	0	194,699
Machinery and Equipment	1,285,015	177,541	(134,668)	1,327,888
Total Accumulated Depreciation	<u>\$ 1,737,125</u>	<u>\$ 210,449</u>	<u>\$ (134,668)</u>	<u>\$ 1,812,906</u>
Total Capital Assets Depreciated, Net	<u>\$ 873,422</u>	<u>\$ 512,228</u>	<u>\$ 0</u>	<u>\$ 1,385,650</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,335,352</u>	<u>\$ 512,228</u>	<u>\$ 0</u>	<u>\$ 1,847,580</u>

Depreciation expense totaling \$210,449 was charged to the Solid Waste Disposal Fund.

Discretely Presented Jefferson County School Department

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 536,841	\$ 0	\$ 0	\$ 536,841
Construction in Progress	621,526	1,092,360	(33,924)	1,679,962
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 1,158,367</b>	<b>\$ 1,092,360</b>	<b>\$ (33,924)</b>	<b>\$ 2,216,803</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 34,348,688	\$ 674,833	\$ 0	\$ 35,023,521
Machinery and Equipment	1,138,281	51,405	0	1,189,686
Other Capital Assets	4,222,921	60,500	(110,520)	4,172,901
<b>Total Capital Assets Depreciated</b>	<b>\$ 39,709,890</b>	<b>\$ 786,738</b>	<b>\$ (110,520)</b>	<b>\$ 40,386,108</b>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 16,530,881	\$ 834,557	\$ 0	\$ 17,365,438
Machinery and Equipment	753,899	78,868	0	832,767
Other Capital Assets	2,937,124	287,764	(110,520)	3,114,368
<b>Total Accumulated Depreciation</b>	<b>\$ 20,221,904</b>	<b>\$ 1,201,189</b>	<b>\$ (110,520)</b>	<b>\$ 21,312,573</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 19,487,986</b>	<b>\$ (414,451)</b>	<b>\$ 0</b>	<b>\$ 19,073,535</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 20,646,353</b>	<b>\$ 677,909</b>	<b>\$ (33,924)</b>	<b>\$ 21,290,338</b>

Depreciation expense totaling \$1,201,189 was charged by the discretely presented Jefferson County School Department.

**C. Construction Commitments**

At June 30, 2006, the Other Capital Projects Fund had uncompleted construction contracts of \$1,585,088 for the construction of a new justice center. Funding for these future expenditures has been provided by other loans. Likewise, the discretely presented Jefferson County School Department had uncompleted construction contracts of \$4,052,213 for roofing projects and school renovations and construction in the Education Capital Projects Fund. Funding for these future expenditures will be provided by bonds approved by the County Commission.

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

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Agency	\$ 3,952
General	Nonmajor governmental	50
Highway/Public Works	Solid Waste Disposal	1,163
Solid Waste Disposal	Solid Waste/Sanitation	65,684
Nonmajor governmental	Agency	966,262

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, 2006, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfer In</u>		
	General Debt Service Fund	Other Capital Projects Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 435,208	\$ 350,000
Nonmajor governmental funds	0	105,000	0
Solid Waste Disposal Fund	100,000	0	0
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 540,208</b>	<b>\$ 350,000</b>

**Discretely Presented Jefferson County School Department**

	<u>Transfers In</u>
Transfers Out	General Purpose School Fund
Nonmajor governmental fund	\$ 77,800
Total	<u>\$ 77,800</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 and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Capital Leases**

On February 17, 2006, 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 \$217,050 plus interest of 5.5 percent. Title to the vehicles transfers to Jefferson County at the end of the lease period. The lease payments are made from the General Fund.

On February 23, 2006, Jefferson County entered into a four-year lease-purchase agreement for landfill equipment. The terms of the agreement require total lease payments of \$223,905 plus interest of 5 percent. Title to the equipment transfers to Jefferson County at the end of the lease period. The lease payments are made from the Solid Waste Disposal Fund.

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 from the General Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Funds	Enterprise Fund
2007	\$ 163,783	\$ 38,376
2008	76,256	38,376
2009	0	38,376
2010	0	102,344
Total Minimum Lease Payments	\$ 240,039	\$ 217,472
Amount Representing Interest	(14,350)	(26,217)
 Present Value of Minimum Lease Payments	 \$ 225,689	 \$ 191,255

**F. 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 13 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, 2006, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds - Refunding	3.8 to 4.9 %	\$ 4,930,000	\$ 1,930,000
Other Loans - Swapped	4.96	10,000,000	10,000,000
Other Loans	Variable	30,000,000	26,709,512
Capital Leases	3.1 to 5.5	471,816	225,689

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, 2006, \$12,999,512 of the Blount County Public Building Authority loan had been drawn. The balance (\$2,000,488) 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, 2006:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates as of 6-30-06	Other Fees on Variable Rate Debt
<u>Sevier County Public</u>					
<u>Building Authority</u>					
Local Government Improve- ment Bond (III-C-5)	\$ 10,000,000	\$ 10,000,000	Synthetic Fixed by Swap	4.96 %	.47 %
Local Government Improve- ment Bond (III-D-3)	10,000,000	10,000,000	Variable	4	.47
Local Government Improve- ment Bond (IV-B-10)	5,000,000	4,590,000	Variable	3.91	.54
Total		<u>\$ 24,590,000</u>			
<u>Blount County Public</u>					
<u>Building Authority</u>					
Local Government Public Improvement ( D-2-A)	\$ 15,000,000	\$ 12,119,512	Variable	3.91 %	.49 %
Total		<u>\$ 12,119,512</u>			
Total		<u>\$ 36,709,512</u>			

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2006, including interest payments and other fees, are presented in the following tables. The amounts included for the Blount County Public Building Authority loan do not include the \$2,000,488 which has not yet been drawn by the county.

Year Ending June 30	Bonds	
	Principal	Interest
2007	\$ 505,000	\$ 91,698
2008	530,000	68,215
2009	550,000	43,305
2010	345,000	16,905
Total	<u>\$ 1,930,000</u>	<u>\$ 220,123</u>

Year Ending June 30	Other Loan (\$10,000,000) Series III-C-5			
	Principal	Interest	Other Fees	Total
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	0	496,000	47,000	543,000
2012-2016	0	2,480,000	235,000	2,715,000
2017-2021	5,525,000	2,234,976	211,783	7,971,759
2022-2023	4,475,000	335,792	31,820	4,842,612
Total	<u>\$ 10,000,000</u>	<u>\$ 7,530,768</u>	<u>\$ 713,603</u>	<u>\$ 18,244,371</u>

Year Ending June 30	Other Loan (\$10,000,000) Series III-D-3			
	Principal	Interest	Other Fees	Total
2007	\$ 0	\$ 400,000	\$ 47,000	\$ 447,000
2008	0	400,000	47,000	447,000
2009	0	400,000	47,000	447,000
2010	0	400,000	47,000	447,000
2011	0	400,000	47,000	447,000
2012-2016	6,150,000	1,626,800	191,150	7,967,950
2017-2019	3,850,000	255,800	30,057	4,135,857
Total	<u>\$ 10,000,000</u>	<u>\$ 3,882,600</u>	<u>\$ 456,207</u>	<u>\$ 14,338,807</u>

Year Ending June 30	Other Loan (\$5,000,000) Series IV-B-10			Total
	Principal	Interest	Other Fees	
2007	\$ 515,000	\$ 179,469	\$ 24,919	\$ 719,388
2008	540,000	159,333	22,123	721,456
2009	575,000	138,219	19,192	732,411
2010	605,000	115,736	16,070	736,806
2011	1,240,000	92,081	12,785	1,344,866
2012	1,115,000	43,597	6,053	1,164,650
Total	\$ 4,590,000	\$ 728,435	\$ 101,142	\$ 5,419,577

Year Ending June 30	Other Loan (\$15,000,000) Series D-2-A			Total
	Principal	Interest	Other Fees	
2007	\$ 450,000	\$ 473,873	\$ 59,846	\$ 983,719
2008	475,000	456,278	57,624	988,902
2009	500,000	437,705	55,279	992,984
2010	525,000	418,155	52,810	995,965
2011	550,000	397,628	50,217	997,845
2012-2016	3,175,000	1,645,036	207,755	5,027,791
2017-2021	4,075,000	957,854	120,969	5,153,823
2022-2026	2,369,512	164,554	20,783	2,554,849
Total	\$ 12,119,512	\$ 4,951,083	\$ 625,283	\$ 17,695,878

There is \$5,373,408 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totals \$44, based on the 2000 federal census. Debt per capita, including bonds, capital leases, and other loans totals \$873, 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, 2006, 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>-4.00</u>
Net interest rate swap payments		0.96
Variable-rate bond interest payments		<u>4.00</u>
Synthetic interest rate on bonds		<u><u>4.96</u></u>

**Fair value:** As of June 30, 2006, the swap had a negative fair value of \$254,161. 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.

**Credit risk:** As of June 30, 2006, 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. 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, who was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2006. 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 with 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, 2006, 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	<u>Variable Rate Bonds</u>		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2007	\$ 0	\$ 400,000	\$ 96,000	\$ 496,000
2008	0	400,000	96,000	496,000
2009	0	400,000	96,000	496,000
2010	0	400,000	96,000	496,000
2011	0	400,000	96,000	496,000
2012-2016	0	2,000,000	480,000	2,480,000
2017-2021	5,525,000	1,802,400	432,576	7,759,976
2022-2023	4,475,000	270,800	64,992	4,810,792
Total	<u>\$ 10,000,000</u>	<u>\$ 6,073,200</u>	<u>\$ 1,457,568</u>	<u>\$ 17,530,768</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:	<u>Bonds</u>		<u>Capital Leases</u>	
	Balance, July 1, 2005	\$ 2,920,000	\$	167,238
Additions	0		217,050	
Deductions	(990,000)		(158,599)	
Balance, June 30, 2006	<u>\$ 1,930,000</u>	<u>\$</u>	<u>225,689</u>	
Balance Due Within One Year	<u>\$ 505,000</u>	<u>\$</u>	<u>153,409</u>	

	Other Loans	Compensated Absences
Balance, July 1, 2005	\$ 24,899,000	\$ 388,320
Additions	12,900,512	419,202
Deductions	(1,090,000)	(376,579)
Balance, June 30, 2006	<u>\$ 36,709,512</u>	<u>\$ 430,943</u>
Balance Due Within One Year	<u>\$ 965,000</u>	<u>\$ 301,660</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 39,296,144
Less: Balance Due Within One Year	<u>(1,925,069)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 37,371,075</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.

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, 2006, was as follows:

Business-type Activities:

	Compensated Absences	Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 6,637	\$ 1,972,257
Additions	0	46,313
Deductions	(1,597)	(76,122)
Balance, June 30, 2006	<u>\$ 5,040</u>	<u>\$ 1,942,448</u>
Balance Due Within One Year	<u>\$ 1,008</u>	<u>\$ 76,122</u>

	<u>Capital Leases</u>
Balance, July 1, 2005	\$ 0
Additions	223,905
Deductions	<u>(32,650)</u>
Balance, June 30, 2006	<u>\$ 191,255</u>
Balance Due Within One Year	<u>\$ 29,483</u>
Analysis of Noncurrent Liabilities Presented on Exhibit A:	
Total Noncurrent Liabilities, June 30, 2006	\$ 2,138,743
Less: Balance Due Within One Year	<u>(106,613)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 2,032,130</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, 2006, was as follows:

Governmental Activities:

	<u>Compensated Absences</u>	<u>Termination Benefits</u>
Balance, July 1, 2005	\$ 697,153	\$ 79,122
Additions	102,792	90,426
Deductions	<u>(133,239)</u>	<u>(75,354)</u>
Balance, June 30, 2006	<u>\$ 666,706</u>	<u>\$ 94,194</u>
Balance Due Within One Year	<u>\$ 316,152</u>	<u>\$ 64,052</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 760,900
Less: Balance Due Within One Year	<u>(380,204)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u><u>\$ 380,696</u></u>

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

**G. Internal Financing**

In-lieu-of issuing debt with financial institutions, Jefferson County chose to internally finance the start of the school building and construction project with idle county funds. The debt issue is reflected as a contribution to the discretely presented Jefferson County School Department in the Education Capital Projects Fund from the primary government's General Debt Service Fund. The debt issue is expected to ultimately be repaid from the same fund (General Debt Service) in which the loan was obtained, through proceeds of externally financed debt to be issued by the county. Internally reported notes receivable from idle funds loaned from the General Debt Service Fund that will subsequently be paid by the General Debt Service Fund are reflected below:

Internally Reported Interfund Notes Receivable/Payable  
Through the General Debt Service Fund

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Capital Outlay Note Series 2006	\$ 2,000,000	4.65 %	5-15-06	5-15-09
	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
Capital Outlay Note Series 2006	\$ 0	\$ 2,000,000	\$ 0	\$ 2,000,000
Total	<u>\$ 0</u>	<u>\$ 2,000,000</u>	<u>\$ 0</u>	<u>\$ 2,000,000</u>

**H. Short-term Debt**

The School Department issued revenue anticipation notes to provide temporary operating funds and deposited the proceeds in the School Federal Projects Fund. These notes were necessary because funds were not available to meet current operating expenses. Short-term debt activity for the year ended June 30, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Revenue Anticipation Notes	\$ 0	\$ 300,000	\$ (300,000)	\$ 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 Boards 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:

Employee Insurance - Dental and Vision Fund

	Beginning of Fiscal Year Liability	Current-Year Claims and Estimates	Payments	Balance at Fiscal Year-end
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Primary Government

2004-2005	\$ 4,293	\$ 69,392	\$ 70,252	3,433
2005-2006	3,433	72,720	71,157	4,996

Discretely Presented Jefferson County School Department

2004-2005	\$ 27,321	\$ 241,407	\$ 229,487	39,241
2005-2006	39,241	238,827	242,088	35,980

**B. Accounting Changes**

For the year ended June 30, 2006, Jefferson County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and GASB Statement No. 47, Accounting for Termination Benefits.

GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital assets or upon disposal of the capital assets. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives

or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Jefferson County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Jefferson County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Jefferson County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Jefferson County will be required to disclose net assets restricted by enabling legislation in subsequent years.

**C. Subsequent Events**

On August 31, 2006, Gary Holiway left the Office of County Mayor and was succeeded by Alan Palmieri, and Kathy Carpenter left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Penny Murphy.

Subsequent to June 30, 2006, the county drew the remaining \$2,000,488 of the Local Government Public Improvements Loan Series D-2-A.

The county has authorized the issuance of \$40 million in debt for the discretely presented Jefferson County School Department for the school renovation and construction project; however, as of the date of this report, the debt has not been issued.

Revenue anticipation notes of \$150,000 were issued subsequent to June 30, 2006, to provide temporary operating funds for the School Federal Projects Fund.

Subsequent to June 30, 2006, Jefferson County issued a three-year capital outlay note to fund the matching share of a state grant for the Solid Waste Disposal Fund. These funds were borrowed from the General Debt Service Fund.

On July 17, 2006, the Jefferson County Commission adopted provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of a finance director. The county has appointed a committee to oversee the implementation of the act, but as of the date of this report the county has not hired a finance director.

**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.

There are several other pending lawsuits in which Jefferson County and the discretely presented 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 \$1,942,448 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 35 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 \$1,204,124 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in the 2006 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, 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 were previously held in escrow for contingencies pursuant to an agreement between the county and city. These amounts were held in the Joint Venture – Agency Fund of the county. During the current fiscal year, 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, 2006, \$1,932,524 remained in the Joint Venture – Agency Fund. Subsequent to June 30, 2006, the county trustee liquidated the balance and paid equal shares to the county and city. At June 30, 2006, the county reflected its share of these funds as a receivable, Due from other Funds, in the Other Special Revenue Fund totaling \$966,262.

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fourth 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, 2006, 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:

Administrative Office:

District Attorney General  
Fourth 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](http://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, 2006, 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, 2006, Jefferson County's annual pension cost of \$1,997,438 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, 2006, was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$1,997,438	100%	\$0
6-30-05	1,906,296	100	0
6-30-04	1,560,626	100	0

### 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)
6-30-05	\$29,711	\$32,142	\$2,431	92.44%	\$14,370	16.92%
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

#### 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](http://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, 2006, 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, 2006, 2005, and 2004, were \$1,165,176, \$1,132,028, and \$662,291, respectively, equal to the required contributions for each year.

### **I. Other Post-employment Benefits**

#### **Health Care**

In addition to the retirement commitments described above, the Jefferson County 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 48 retirees meet these eligibility requirements. The School Department pays the premiums for single coverage. During the year, expenditures of \$161,046 were recognized for post-employment health care.

### **J. Termination Benefits**

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. Twenty employees participated in the program during the 2005-06 year. The financial

statements of this report reflect expenditures of \$75,354 in the General Purpose School Fund for the retirement incentive payments. A non-discounted long-term liability of \$94,194 is reflected on the government-wide statement of net assets for retirement incentives. Of that amount, \$64,052 is due within one year.

**K. Purchasing Laws**

Office of County Mayor

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), govern purchasing procedures for the general county government. These acts provide for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Road Superintendent

Chapter 477, Private Acts of 1929 and Section 54-7-113, TCA (the Uniform Road Law), govern purchasing procedures of the Highway Department. The private act provides for the Highway Commission to purchase all necessary supplies and equipment for the Highway Department. The Uniform Road Law requires all purchases exceeding \$10,000 to be made on the basis of publicly advertised 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, TCA, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**VI. OTHER NOTES – DISCRETELY PRESENTED 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 Procedures 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, 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, or 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. 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.

**3. 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.

**4. 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.

**5. Inventory**

Inventory consists of expendable supplies held for consumption and used 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.

**6. 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 capital 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
Equipment	4-20
Land Improvements	10-12

**7. 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, 2006. State law requires deposits of the nursing home's funds to be insured or collateralized. At June 30, 2006, the nursing home had deposits with the following banks:

<u>Bank</u>	<u>Amount</u>
First Tennessee Bank	\$243,857
FSG Bank	103,899
BB&T	73,842

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**

Cash in the employee scholarship fund, a restricted asset, is available to provide scholarships to qualifying employees. Certain donations received are designed 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 2006, no scholarships were awarded.

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2006, is as follows:

	6-30-05	Additions	6-30-06
Non-depreciable assets:			
Land and improvements	\$ 7,181	\$ 0	\$ 7,181
Depreciable assets:			
Buildings	\$ 3,141,956	\$ 0	\$ 3,141,956
Paving	46,651	0	46,651
Equipment	1,119,142	73,119	1,192,261
Accumulated depreciation	(2,634,770)	(127,640)	(2,762,410)
Total depreciable assets	\$ 1,672,979	\$ (54,521)	\$ 1,618,458
Total net capital assets	\$ 1,680,160	\$ (54,521)	\$ 1,625,639

**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, 2006, the nursing home contributed \$359,759 to the plan.

Reference is made to the 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 remaining bonds payable at June 30, 2005, of \$140,000 were paid off during the year ended June 30, 2006.

Total interest expense for the year ended June 30, 2006 was \$4,875. No interest was capitalized during the year ended June 30, 2006.

**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, 2006, was \$4,515,845.

**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, 2006, totaled \$141,431.

Medicare also pays room and board for patients covered under the "Part A" program. The nursing home had total revenue for room and board from these Part A patients for the year ended June 30, 2006, totaling \$1,354,734.

**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.

**K. Subsequent Events**

The nursing home's board of directors has approved the investigation into possible expansion of the nursing home facility. Jefferson County's Board of County Commissioners has also approved the expansion; however, the county commissioners have yet to approve a resolution for issuance of bonds to fund expansion. After the county approves the funding resolution, the nursing home will submit a request to the State of Tennessee for a certificate of need, receipt of which is required for expansion of the current facility.

**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 generally accepted accounting principles 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, 2006, the district had no encumbrances.

**6. Capital Assets**

Capital assets owned by the district are recorded at cost, or if contributed property, at their fair market value to 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	3-7

**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, 2006:

Cash in bank	\$ 68,047
Certificate of deposit	<u>65,342</u>
Total	<u><u>\$ 133,389</u></u>

At June 30, 2006, 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 activity for the fiscal year ended June 30, 2006, was as follows:

	7-1-05	Additions	6-30-06	Annual Rates
Capital assets being depreciated:				
Leasehold improvements	\$ 23,765	\$ 0	\$ 23,765	5.0% - 20%
Office equipment and furniture	35,412	11,651	47,063	14.3% - 33.3%
Operating equipment	369,975	0	369,975	14.3% - 20.0%
Communication equipment	196,425	18,500	214,925	14.3% - 20.0%
Vehicle	22,778	0	22,778	
Total capital assets being depreciated	<u>\$ 648,355</u>	<u>\$ 30,151</u>	<u>\$ 678,506</u>	
Less accumulated depreciation for:				
Leasehold improvements	\$ 17,073	\$ 1,566	\$ 18,639	
Office equipment and furniture	29,079	2,826	31,905	
Operating equipment	252,579	42,654	295,233	
Communication equipment	152,796	12,455	165,251	
Vehicle	21,639	1,139	22,778	
Total accumulated depreciated	<u>\$ 473,166</u>	<u>\$ 60,640</u>	<u>\$ 533,806</u>	
Total capital assets being depreciated, net	<u>\$ 175,189</u>	<u>\$ (30,489)</u>	<u>\$ 144,700</u>	

Depreciation charged to expense totaled \$60,640 for the year ended June 30, 2006.

#### **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 30 days. Unpaid vacation leave totaled \$11,264 for the year ended June 30, 2006.

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 120 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, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://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, 2006, 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, 2006, the district's annual pension cost of \$26,239 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. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$ 26,239	100%	\$ 0
6-30-05	24,495	100	0

### Schedule of Funding Progress

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Payroll ((b-a)/c)
7-1-05	\$66	\$66	\$0	100%	\$331	0%

### F. Capitalization of Interest

Interest expense on debt used to finance construction of major capital assets during the construction phase is capitalized when considered material. There was no capitalized interest for the year ended June 30, 2006.

**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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 6,527,822	\$ 0	\$ 0	\$ 6,527,822	\$ 6,110,000	\$ 6,110,000	\$ 417,822
Licenses and Permits	492,889	0	0	492,889	520,000	520,000	(27,111)
Fines, Forfeitures, and Penalties	268,084	0	0	268,084	205,000	205,000	63,084
Charges for Current Services	2,887,854	0	0	2,887,854	2,734,000	2,787,000	100,854
Other Local Revenues	29,601	0	0	29,601	15,000	70,380	(40,779)
Fees Received from County Officials	1,108,479	0	0	1,108,479	860,000	860,000	248,479
State of Tennessee	1,133,931	0	0	1,133,931	622,768	670,253	463,678
Federal Government	314,542	0	0	314,542	311,961	328,031	(13,489)
Other Governments and Citizens Groups	210,679	0	0	210,679	137,500	137,500	73,179
<b>Total Revenues</b>	<b>\$ 12,973,881</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,973,881</b>	<b>\$ 11,516,229</b>	<b>\$ 11,688,164</b>	<b>\$ 1,285,717</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 182,884	\$ 0	\$ 0	\$ 182,884	\$ 209,038	\$ 209,038	\$ 26,154
Board of Equalization	750	0	0	750	2,500	2,500	1,750
Other Boards and Committees	18	0	0	18	3,500	3,500	3,482
County Mayor/Executive	217,564	0	0	217,564	239,275	239,275	21,711
Election Commission	159,415	0	238	159,653	202,320	202,320	42,667
Register of Deeds	40,575	0	0	40,575	50,100	50,100	9,525
Codes Compliance	78,490	(200)	300	78,590	81,455	81,455	2,865
County Buildings	367,098	(9,660)	4,915	362,353	389,350	371,550	9,197
Other General Administration	5,285	0	0	5,285	7,250	7,250	1,965
Preservation of Records	6,957	0	0	6,957	12,000	12,000	5,043
<u>Finance</u>							
Accounting and Budgeting	5,414	(1,370)	129	4,173	5,000	5,000	827
Property Assessor's Office	252,268	0	0	252,268	259,928	259,678	7,410
Reappraisal Program	94,831	(300)	400	94,931	101,788	101,788	6,857

(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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Trustee's Office	\$ 22,739	\$ (3,115)	\$ 350	\$ 19,974	\$ 29,800	\$ 29,800	\$ 9,826
County Clerk's Office	36,215	0	343	36,558	37,700	37,700	1,142
Other Finance	255,558	0	0	255,558	303,000	303,000	47,442
<u>Administration of Justice</u>							
Circuit Court	304,812	(104)	4,504	309,212	336,507	336,507	27,295
General Sessions Court	192,242	(400)	500	192,342	198,491	198,741	6,399
Chancery Court	129,927	(26)	53	129,954	136,295	136,295	6,341
Juvenile Court	122,658	(586)	449	122,521	140,647	140,647	18,126
<u>Public Safety</u>							
Sheriff's Department	2,615,009	(11,778)	15,057	2,618,288	2,616,426	2,690,056	71,768
Wheel Tax Officer	7,361	0	0	7,361	9,211	9,211	1,850
Jail	1,095,576	(14,851)	16,335	1,097,060	1,111,052	1,157,052	59,992
Public Safety Grant Programs	107,261	(34,639)	35	72,657	244,054	244,054	171,397
Other Public Safety	328,000	0	0	328,000	328,000	328,000	0
<u>Public Health and Welfare</u>							
Local Health Center	141,000	0	0	141,000	184,284	184,284	43,284
Rabies and Animal Control	62,782	(340)	800	63,242	69,253	69,253	6,011
Ambulance/Emergency Medical Services	3,399,068	(11,434)	23,934	3,411,568	3,361,257	3,497,436	85,868
General Welfare Assistance	2,618	0	0	2,618	6,700	6,700	4,082
Aid to Dependent Children	503	0	0	503	3,000	3,000	2,497
Sanitation Education/Information	54,010	0	2,862	56,872	58,725	58,725	1,853
Other Public Health and Welfare	201,267	(736)	2,654	203,185	224,253	224,253	21,068
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	171,302	(1,187)	1,507	171,622	173,734	175,889	4,267
Libraries	311,024	(1,161)	1,031	310,894	287,966	326,588	15,694
Other Social, Cultural, and Recreational	83,020	0	739	83,759	57,100	86,300	2,541

(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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	\$ 70,207	\$ 0	\$ 0	\$ 70,207	\$ 85,891	\$ 85,891	\$ 15,684
Soil Conservation	32,495	0	0	32,495	32,564	32,564	69
<u>Other Operations</u>							
Public Transportation	476	0	0	476	0	2,000	1,524
Veterans' Services	26,369	0	0	26,369	27,827	27,827	1,458
Contributions to Other Agencies	585,570	0	0	585,570	531,023	585,570	0
Employee Benefits	483,716	0	0	483,716	571,900	560,500	76,784
<u>Principal on Debt</u>							
General Government	158,599	0	0	158,599	0	164,689	6,090
<u>Interest on Debt</u>							
General Government	5,184	0	0	5,184	0	5,185	1
<u>Other Debt Service</u>							
General Government	350	0	0	350	0	350	0
<u>Capital Projects</u>							
Other General Government Projects	1,125	0	0	1,125	0	1,125	0
Total Expenditures	\$ 12,419,592	\$ (91,887)	\$ 77,135	\$ 12,404,840	\$ 12,730,164	\$ 13,254,646	\$ 849,806
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 554,289	\$ 91,887	\$ (77,135)	\$ 569,041	\$ (1,213,935)	\$ (1,566,482)	\$ 2,135,523
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 217,050	\$ 0	\$ 0	\$ 217,050	\$ 0	\$ 217,050	\$ 0
Insurance Recovery	54,816	0	0	54,816	0	0	54,816
Transfers In	0	0	0	0	3,500	3,500	(3,500)
Transfers Out	(785,208)	0	0	(785,208)	0	(785,208)	0
Total Other Financing Sources (Uses)	\$ (513,342)	\$ 0	\$ 0	\$ (513,342)	\$ 3,500	\$ (564,658)	\$ 51,316
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 3,783,234	\$ (91,887)	\$ (77,135)	\$ 3,691,347	\$ (1,210,435)	\$ (2,131,140)	\$ 2,186,839
Fund Balance, June 30, 2006	\$ 3,824,181	\$ 0	\$ (77,135)	\$ 3,747,046	\$ 2,572,799	\$ 1,560,207	\$ 2,186,839

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,235,750	\$ 1,193,000	\$ 1,193,000	\$ 42,750
Total Revenues	\$ 1,235,750	\$ 1,193,000	\$ 1,193,000	\$ 42,750
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 1,436,377	\$ 1,323,000	\$ 1,474,700	\$ 38,323
<u>Other Operations</u>				
Other Charges	4,320	6,000	4,300	(20)
Total Expenditures	\$ 1,440,697	\$ 1,329,000	\$ 1,479,000	\$ 38,303
Excess (Deficiency) of Revenues Over Expenditures	\$ (204,947)	\$ (136,000)	\$ (286,000)	\$ 81,053
Net Change in Fund Balance	\$ (204,947)	\$ (136,000)	\$ (286,000)	\$ 81,053
Fund Balance, July 1, 2005	573,451	136,000	286,000	287,451
Fund Balance, June 30, 2006	\$ 368,504	\$ 0	\$ 0	\$ 368,504

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,401,678	\$ 1,356,500	\$ 1,356,500	\$ 45,178
Charges for Current Services	31,263	50,000	50,000	(18,737)
Other Local Revenues	489	300	300	189
State of Tennessee	1,953,396	1,972,160	2,015,467	(62,071)
Other Governments and Citizens Groups	5,500	0	0	5,500
<b>Total Revenues</b>	<b>\$ 3,392,326</b>	<b>\$ 3,378,960</b>	<b>\$ 3,422,267</b>	<b>\$ (29,941)</b>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 165,195	\$ 178,520	\$ 178,941	\$ 13,746
Highway and Bridge Maintenance	1,272,180	1,447,860	1,452,226	180,046
Operation and Maintenance of Equipment	633,061	641,270	673,134	40,073
Quarry Operations	449,835	548,595	549,183	99,348
Asphalt Plant Operations	24,672	30,000	30,000	5,328
Other Charges	92,682	100,700	102,679	9,997
Employee Benefits	673,516	714,300	724,072	50,556
Capital Outlay	3,700	161,600	165,300	161,600
<b>Total Expenditures</b>	<b>\$ 3,314,841</b>	<b>\$ 3,822,845</b>	<b>\$ 3,875,535</b>	<b>\$ 560,694</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 77,485	\$ (443,885)	\$ (453,268)	\$ 530,753
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 9,383	\$ 0	\$ 9,383	\$ 0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 9,383</b>	<b>\$ 0</b>	<b>\$ 9,383</b>	<b>\$ 0</b>
Net Change in Fund Balance	\$ 86,868	\$ (443,885)	\$ (443,885)	\$ 530,753
Fund Balance, July 1, 2005	877,746	443,885	877,745	1
<b>Fund Balance, June 30, 2006</b>	<b>\$ 964,614</b>	<b>\$ 0</b>	<b>\$ 433,860</b>	<b>\$ 530,754</b>

**JEFFERSON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**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 Jefferson 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/Executive, etc.). Management may make revisions within major categories, but only the Jefferson County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

Other Special Revenue Fund – The Other Special Revenue Fund is used to account for the county’s share of revenues generated under the Joint Venture Hospital lease. These funds had previously been held in escrow for contingencies in the Joint Venture – Agency Fund, based on the joint venture agreement.

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

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

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

Exhibit G-1

Jefferson County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 180,927	\$ 180,927	\$ 0	\$ 180,927
Equity in Pooled Cash and Investments	44,147	750,000	0	794,147	955,264	1,749,411
Accounts Receivable	0	11,283	2,796	14,079	0	14,079
Due from Other Governments	0	0	816	816	115,000	115,816
Due from Other Funds	0	966,262	0	966,262	0	966,262
Property Taxes Receivable	0	0	0	0	282,108	282,108
Allowance for Uncollectible Property Taxes	0	0	0	0	(7,873)	(7,873)
Total Assets	\$ 44,147	\$ 1,727,545	\$ 184,539	\$ 1,956,231	\$ 1,344,499	\$ 3,300,730
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,493	\$ 70,493
Due to Other Funds	0	0	50	50	0	50
Deferred Revenue - Current Property Taxes	0	0	0	0	266,658	266,658
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	5,589	5,589
Other Deferred Revenues	0	0	0	0	115,000	115,000
Total Liabilities	\$ 0	\$ 0	\$ 50	\$ 50	\$ 457,740	\$ 457,790
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 3,213	\$ 0	\$ 0	\$ 3,213	\$ 570,624	\$ 573,837
Unreserved	40,934	1,727,545	184,489	1,952,968	316,135	2,269,103
Total Fund Balances	\$ 44,147	\$ 1,727,545	\$ 184,489	\$ 1,956,181	\$ 886,759	\$ 2,842,940
Total Liabilities and Fund Balances	\$ 44,147	\$ 1,727,545	\$ 184,539	\$ 1,956,231	\$ 1,344,499	\$ 3,300,730

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, 2006

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 265,294	\$ 265,294
Fines, Forfeitures, and Penalties	31,493	0	0	31,493	0	31,493
Charges for Current Services	0	0	731,313	731,313	0	731,313
Other Local Revenues	0	11,283	52,769	64,052	0	64,052
Other Governments and Citizens Groups	0	1,716,262	0	1,716,262	0	1,716,262
Total Revenues	\$ 31,493	\$ 1,727,545	\$ 784,082	\$ 2,543,120	\$ 265,294	\$ 2,808,414
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 206,155	\$ 206,155	\$ 0	\$ 206,155
Finance	303	0	558,368	558,671	0	558,671
Administration of Justice	0	0	41	41	0	41
Public Safety	19,939	0	0	19,939	0	19,939
Capital Projects	0	0	0	0	277,532	277,532
Total Expenditures	\$ 20,242	\$ 0	\$ 764,564	\$ 784,806	\$ 277,532	\$ 1,062,338
Excess (Deficiency) of Revenues Over Expenditures	\$ 11,251	\$ 1,727,545	\$ 19,518	\$ 1,758,314	\$ (12,238)	\$ 1,746,076
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 350,000
Transfers Out	0	0	0	0	(105,000)	(105,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 245,000	\$ 245,000
Net Change in Fund Balances	\$ 11,251	\$ 1,727,545	\$ 19,518	\$ 1,758,314	\$ 232,762	\$ 1,991,076
Fund Balance, July 1, 2005	32,896	0	164,971	197,867	653,997	851,864
Fund Balance, June 30, 2006	\$ 44,147	\$ 1,727,545	\$ 184,489	\$ 1,956,181	\$ 886,759	\$ 2,842,940

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 31,493	\$ 0	\$ 0	\$ 31,493	\$ 25,000	\$ 25,000	\$ 6,493
Total Revenues	\$ 31,493	\$ 0	\$ 0	\$ 31,493	\$ 25,000	\$ 25,000	\$ 6,493
<u>Expenditures</u>							
<u>Finance</u>							
Other Finance	\$ 303	\$ 0	\$ 0	\$ 303	\$ 900	\$ 900	\$ 597
<u>Public Safety</u>							
Drug Enforcement	19,939	(3,856)	3,213	19,296	79,100	79,100	59,804
Total Expenditures	\$ 20,242	\$ (3,856)	\$ 3,213	\$ 19,599	\$ 80,000	\$ 80,000	\$ 60,401
Excess (Deficiency) of Revenues Over Expenditures	\$ 11,251	\$ 3,856	\$ (3,213)	\$ 11,894	\$ (55,000)	\$ (55,000)	\$ 66,894
Net Change in Fund Balance	\$ 11,251	\$ 3,856	\$ (3,213)	\$ 11,894	\$ (55,000)	\$ (55,000)	\$ 66,894
Fund Balance, July 1, 2005	32,896	(3,856)	0	29,040	55,000	55,000	(25,960)
Fund Balance, June 30, 2006	\$ 44,147	\$ 0	\$ (3,213)	\$ 40,934	\$ 0	\$ 0	\$ 40,934

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 265,294	\$ 0	\$ 0	\$ 265,294	\$ 255,500	\$ 255,500	\$ 9,794
Federal Government	0	0	0	0	0	115,000	(115,000)
Total Revenues	<u>\$ 265,294</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 265,294</u>	<u>\$ 255,500</u>	<u>\$ 370,500</u>	<u>\$ (105,206)</u>
<u>Expenditures</u>							
<u>Capital Projects</u>							
Other General Government Projects	\$ 200,223	\$ (20,930)	\$ 531,667	\$ 710,960	\$ 325,000	\$ 1,041,600	\$ 330,640
Highway & Street Capital Projects	77,309	0	38,957	116,266	133,000	133,000	16,734
Total Expenditures	<u>\$ 277,532</u>	<u>\$ (20,930)</u>	<u>\$ 570,624</u>	<u>\$ 827,226</u>	<u>\$ 458,000</u>	<u>\$ 1,174,600</u>	<u>\$ 347,374</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (12,238)</u>	<u>\$ 20,930</u>	<u>\$ (570,624)</u>	<u>\$ (561,932)</u>	<u>\$ (202,500)</u>	<u>\$ (804,100)</u>	<u>\$ 242,168</u>
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 350,000	\$ 0	\$ 0	\$ 350,000	\$ 0	\$ 350,000	\$ 0
Transfers Out	(105,000)	0	0	(105,000)	0	(105,000)	0
Total Other Financing Sources (Uses)	<u>\$ 245,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 245,000</u>	<u>\$ 0</u>	<u>\$ 245,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 232,762	\$ 20,930	\$ (570,624)	\$ (316,932)	\$ (202,500)	\$ (559,100)	\$ 242,168
Fund Balance, July 1, 2005	<u>653,997</u>	<u>(20,930)</u>	<u>0</u>	<u>633,067</u>	<u>653,997</u>	<u>653,997</u>	<u>(20,930)</u>
Fund Balance, June 30, 2006	<u>\$ 886,759</u>	<u>\$ 0</u>	<u>\$ (570,624)</u>	<u>\$ 316,135</u>	<u>\$ 451,497</u>	<u>\$ 94,897</u>	<u>\$ 221,238</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,921,750	\$ 2,820,000	\$ 2,820,000	\$ 101,750
Other Local Revenues	867,777	546,625	400,000	467,777
Other Governments and Citizens Groups	146,625	0	146,625	0
Total Revenues	<u>\$ 3,936,152</u>	<u>\$ 3,366,625</u>	<u>\$ 3,366,625</u>	<u>\$ 569,527</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,155,000	\$ 875,000	\$ 1,155,000	\$ 0
Education	925,000	695,000	925,000	0
<u>Interest on Debt</u>				
General Government	325,385	605,000	325,400	15
Education	1,124,595	1,361,278	1,130,878	6,283
<u>Other Debt Service</u>				
General Government	60,540	68,000	68,000	7,460
<u>Capital Projects</u>				
Education Capital Projects	2,000,000	0	2,000,000	0
Total Expenditures	<u>\$ 5,590,520</u>	<u>\$ 3,604,278</u>	<u>\$ 5,604,278</u>	<u>\$ 13,758</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,654,368)</u>	<u>\$ (237,653)</u>	<u>\$ (2,237,653)</u>	<u>\$ 583,285</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	\$ (1,554,368)	\$ (137,653)	\$ (2,137,653)	\$ 583,285
Fund Balance, July 1, 2005	6,927,776	6,927,776	6,927,776	0
Fund Balance, June 30, 2006	<u>\$ 5,373,408</u>	<u>\$ 6,790,123</u>	<u>\$ 4,790,123</u>	<u>\$ 583,285</u>

# Fiduciary Funds

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

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

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. Subsequent to June 30, 2006, the trustee liquidated the fund and paid the balance to the city and county in equal shares as directed.

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, 2006

	Agency Funds				
	Cities - Sales Tax	Cities - Property Tax	Joint Venture	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 1,632,062	\$ 1,632,062
Equity in Pooled Cash and Investments	0	5,801	1,932,524	0	1,938,325
Accounts Receivable	0	0	0	641	641
Due from Other Governments	567,925	0	0	0	567,925
Property Taxes Receivable	0	882,143	0	0	882,143
Allowance for Uncollectible Property Taxes	0	(23,812)	0	0	(23,812)
Total Assets	<u>\$ 567,925</u>	<u>\$ 864,132</u>	<u>\$ 1,932,524</u>	<u>\$ 1,632,703</u>	<u>\$ 4,997,284</u>
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 0	\$ 966,262	\$ 3,952	\$ 970,214
Due to Other Taxing Units	567,925	864,132	966,262	0	2,398,319
Due to Litigants, Heirs, and Others	0	0	0	1,628,751	1,628,751
Total Liabilities	<u>\$ 567,925</u>	<u>\$ 864,132</u>	<u>\$ 1,932,524</u>	<u>\$ 1,632,703</u>	<u>\$ 4,997,284</u>

## Exhibit I-2

Jefferson County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,263,667	\$ 3,263,667	\$ 0
Due From Other Governments	530,378	567,925	530,378	567,925
Total Assets	\$ 530,378	\$ 3,831,592	\$ 3,794,045	\$ 567,925
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 530,378	\$ 3,831,592	\$ 3,794,045	\$ 567,925
Total Liabilities	\$ 530,378	\$ 3,831,592	\$ 3,794,045	\$ 567,925
<u>Cities - Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 2,788	\$ 802,733	\$ 799,720	\$ 5,801
Property Taxes Receivable	653,762	882,143	653,762	882,143
Allowance for Uncollectible Property Taxes	(11,115)	(23,812)	(11,115)	(23,812)
Total Assets	\$ 645,435	\$ 1,661,064	\$ 1,442,367	\$ 864,132
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 645,435	1,661,064	\$ 1,442,367	\$ 864,132
Total Liabilities	\$ 645,435	\$ 1,661,064	\$ 1,442,367	\$ 864,132
<u>Joint Venture Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 3,317,215	\$ 115,309	\$ 1,500,000	\$ 1,932,524
Total Assets	\$ 3,317,215	\$ 115,309	\$ 1,500,000	\$ 1,932,524
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 966,262	\$ 0	\$ 966,262
Due to Other Taxing Units	0	966,262	0	966,262
Due to Joint Ventures	3,317,215	115,309	3,432,524	0
Total Liabilities	\$ 3,317,215	\$ 2,047,833	\$ 3,432,524	\$ 1,932,524

(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	\$ 936,585	\$ 11,484,607	\$ 10,789,130	\$ 1,632,062
Accounts Receivable	2,512	641	2,512	641
Total Assets	<u>\$ 939,097</u>	<u>\$ 11,485,248</u>	<u>\$ 10,791,642</u>	<u>\$ 1,632,703</u>
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 3,952	\$ 0	\$ 3,952
Due to Litigants, Heirs, and Others	939,097	11,481,296	10,791,642	1,628,751
Total Liabilities	<u>\$ 939,097</u>	<u>\$ 11,485,248</u>	<u>\$ 10,791,642</u>	<u>\$ 1,632,703</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 936,585	\$ 11,484,607	\$ 10,789,130	\$ 1,632,062
Equity in Pooled Cash and Investments	3,320,003	4,181,709	5,563,387	1,938,325
Accounts Receivable	2,512	641	2,512	641
Due From Other Governments	530,378	567,925	530,378	567,925
Property Taxes Receivable	653,762	882,143	653,762	882,143
Allowance for Uncollectible Property Taxes	(11,115)	(23,812)	(11,115)	(23,812)
Total Assets	<u>\$ 5,432,125</u>	<u>\$ 17,093,213</u>	<u>\$ 17,528,054</u>	<u>\$ 4,997,284</u>
<u>Liabilities</u>				
Due to Other Funds	\$ 0	\$ 970,214	\$ 0	\$ 970,214
Due to Other Taxing Units	1,175,813	6,458,918	5,236,412	2,398,319
Due to Litigants, Heirs, and Others	939,097	11,481,296	10,791,642	1,628,751
Due to Joint Venture	3,317,215	115,309	3,432,524	0
Total Liabilities	<u>\$ 5,432,125</u>	<u>\$ 19,025,737</u>	<u>\$ 19,460,578</u>	<u>\$ 4,997,284</u>

# Jefferson County School Department

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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, a Capital Projects Fund, an Internal Service Fund, and one Employee Benefit Trust Fund.

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

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

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

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.

Exhibit J-1

Jefferson County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Jefferson County School Department  
June 30, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 4,391,855	\$ 1,322,816	\$ 5,714,671
Accounts Receivable	14,346	14,155	28,501
Due from Other Governments	1,188,384	56,601	1,244,985
Property Taxes Receivable	6,018,290	0	6,018,290
Allowance for Uncollectible Property Taxes	(167,964)	0	(167,964)
Total Assets	<u>\$ 11,444,911</u>	<u>\$ 1,393,572</u>	<u>\$ 12,838,483</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 100,678	\$ 2,987	\$ 103,665
Payroll Deductions Payable	1,337,103	190,734	1,527,837
Contracts Payable	0	118,695	118,695
Retainage Payable	0	20,021	20,021
Deferred Revenue - Current Property Taxes	5,688,688	0	5,688,688
Deferred Revenue - Delinquent Property Taxes	119,226	0	119,226
Other Deferred Revenues	483,092	0	483,092
Total Liabilities	<u>\$ 7,728,787</u>	<u>\$ 332,437</u>	<u>\$ 8,061,224</u>
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 29,425	\$ 4,052,213	\$ 4,081,638
Reserved for Food Service	592,065	0	592,065
Other Local Education Reserves	539,081	0	539,081
Reserved for Career Ladder Program	17,255	0	17,255
Reserved for Technology	30,052	0	30,052
Reserved for Title I Grants to Local Education Agencies	0	16,621	16,621
Reserved for Special Education - Grants to States	0	4,103	4,103
Unreserved, Reported In:			
General Fund	2,508,246	0	2,508,246
Special Revenue Funds (Deficit)	0	(7,299)	(7,299)
Capital Projects Funds (Deficit)	0	(3,004,503)	(3,004,503)
Total Fund Balances	<u>\$ 3,716,124</u>	<u>\$ 1,061,135</u>	<u>\$ 4,777,259</u>
Total Liabilities and Fund Balances	<u>\$ 11,444,911</u>	<u>\$ 1,393,572</u>	<u>\$ 12,838,483</u>

Exhibit J-2

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, 2006

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)		\$	4,777,259
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	536,841	
Add: construction in progress		1,679,962	
Add: buildings and improvements net of accumulated depreciation		17,658,083	
Add: machinery and equipment net of accumulated depreciation		356,919	
Add: other capital assets net of accumulated depreciation		<u>1,058,533</u>	21,290,338
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			602,318
(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 of the internal service fund are included in governmental activities in the statement of net assets.			144,561
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences	\$	(666,706)	
Less: termination benefits		<u>(94,194)</u>	<u>(760,900)</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 26,053,576</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, 2006

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 10,218,190	\$ 0	\$ 10,218,190
Licenses and Permits	3,055	0	3,055
Charges for Current Services	1,537,651	0	1,537,651
Other Local Revenues	86,409	0	86,409
State of Tennessee	28,120,411	0	28,120,411
Federal Government	1,868,306	4,034,741	5,903,047
Other Governments and Citizens Groups	0	2,000,000	2,000,000
Total Revenues	<u>\$ 41,834,022</u>	<u>\$ 6,034,741</u>	<u>\$ 47,868,763</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 25,196,596	\$ 2,713,498	\$ 27,910,094
Support Services	13,100,278	1,313,781	14,414,059
Operation of Non-Instructional Services	3,099,098	0	3,099,098
Capital Outlay	767,799	0	767,799
Capital Projects	0	952,290	952,290
Total Expenditures	<u>\$ 42,163,771</u>	<u>\$ 4,979,569</u>	<u>\$ 47,143,340</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (329,749)</u>	<u>\$ 1,055,172</u>	<u>\$ 725,423</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 410,024	\$ 0	\$ 410,024
Transfers In	77,800	0	77,800
Transfers Out	0	(77,800)	(77,800)
Total Other Financing Sources (Uses)	<u>\$ 487,824</u>	<u>\$ (77,800)</u>	<u>\$ 410,024</u>
Net Change in Fund Balances	\$ 158,075	\$ 977,372	\$ 1,135,447
Fund Balance, July 1, 2005	3,558,049	83,763	3,641,812
Fund Balance, June 30, 2006	<u>\$ 3,716,124</u>	<u>\$ 1,061,135</u>	<u>\$ 4,777,259</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, 2006

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)		\$ 1,135,447
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,845,174	
Less: current year depreciation expense	<u>(1,201,189)</u>	643,985
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$ 602,318	
Less: deferred delinquent property taxes/other deferred June 30, 2005	<u>(698,204)</u>	(95,886)
(3) 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.		
Add: change in compensated absences	\$ 30,447	
Less: change in termination benefits	<u>(15,072)</u>	15,375
(4) Internal service funds are used by management to charge the cost of employee dental and vision benefits to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities in the statement of activities.		<u>40,519</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,739,440</u>

Exhibit J-5

Jefferson County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Jefferson County School Department  
June 30, 2006

	Special Revenue Fund	Capital Projects Fund	
	School Federal Projects	Education Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 136,390	\$ 1,186,426	\$ 1,322,816
Accounts Receivable	14,155	0	14,155
Due from Other Governments	56,601	0	56,601
Total Assets	\$ 207,146	\$ 1,186,426	\$ 1,393,572
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 2,987	\$ 0	\$ 2,987
Payroll Deductions Payable	190,734	0	190,734
Contracts Payable	0	118,695	118,695
Retainage Payable	0	20,021	20,021
Total Liabilities	\$ 193,721	\$ 138,716	\$ 332,437
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 0	\$ 4,052,213	\$ 4,052,213
Reserved for Title I Grants to Local Education Agencies	16,621	0	16,621
Reserved for Special Education - Grants to States	4,103	0	4,103
Unreserved (Deficit)	(7,299)	(3,004,503)	(3,011,802)
Total Fund Balances	\$ 13,425	\$ 1,047,710	\$ 1,061,135
Total Liabilities and Fund Balances	\$ 207,146	\$ 1,186,426	\$ 1,393,572

Exhibit J-6

Jefferson County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Jefferson County School Department  
For the Year Ended June 30, 2006

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Education Capital Projects	
<u>Revenues</u>			
Federal Government	\$ 4,034,741	\$ 0	\$ 4,034,741
Other Governments and Citizens Groups	0	2,000,000	2,000,000
Total Revenues	<u>\$ 4,034,741</u>	<u>\$ 2,000,000</u>	<u>\$ 6,034,741</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,713,498	\$ 0	\$ 2,713,498
Support Services	1,313,781	0	1,313,781
Capital Projects	0	952,290	952,290
Total Expenditures	<u>\$ 4,027,279</u>	<u>\$ 952,290</u>	<u>\$ 4,979,569</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,462</u>	<u>\$ 1,047,710</u>	<u>\$ 1,055,172</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (77,800)	\$ 0	\$ (77,800)
Total Other Financing Sources (Uses)	<u>\$ (77,800)</u>	<u>\$ 0</u>	<u>\$ (77,800)</u>
Net Change in Fund Balances	\$ (70,338)	\$ 1,047,710	\$ 977,372
Fund Balance, July 1, 2005	83,763	0	83,763
Fund Balance, June 30, 2006	<u>\$ 13,425</u>	<u>\$ 1,047,710</u>	<u>\$ 1,061,135</u>

Exhibit J-7

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 10,218,190	\$ 0	\$ 0	\$ 10,218,190	\$ 9,841,383	\$ 9,839,233	\$ 378,957
Licenses and Permits	3,055	0	0	3,055	2,200	2,200	855
Charges for Current Services	1,537,651	0	0	1,537,651	1,524,500	1,563,651	(26,000)
Other Local Revenues	86,409	0	0	86,409	135,473	137,223	(50,814)
State of Tennessee	28,120,411	0	0	28,120,411	28,074,822	28,198,384	(77,973)
Federal Government	1,868,306	0	0	1,868,306	1,558,466	1,688,712	179,594
<b>Total Revenues</b>	<b>\$ 41,834,022</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 41,834,022</b>	<b>\$ 41,136,844</b>	<b>\$ 41,429,403</b>	<b>\$ 404,619</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 21,681,462	\$ 0	\$ 0	\$ 21,681,462	\$ 21,753,032	\$ 22,084,314	\$ 402,852
Alternative Instruction Program	250,000	0	0	250,000	260,000	258,750	8,750
Special Education Program	2,101,787	0	0	2,101,787	2,125,397	2,130,732	28,945
Vocational Education Program	1,055,341	0	0	1,055,341	1,072,448	1,065,340	9,999
Adult Education Program	108,006	0	0	108,006	109,052	108,006	0
<u>Support Services</u>							
Attendance	6,063	0	0	6,063	10,811	10,811	4,748
Health Services	136,109	0	0	136,109	171,678	160,792	24,683
Other Student Support	1,156,246	0	0	1,156,246	1,146,699	1,198,251	42,005
Regular Instruction Program	1,450,414	0	0	1,450,414	1,473,999	1,475,394	24,980
Special Education Program	429,596	0	0	429,596	447,704	449,155	19,559
Vocational Education Program	142,058	0	0	142,058	153,964	153,377	11,319
Adult Programs	114,604	0	0	114,604	110,824	118,754	4,150
Board of Education	749,566	0	0	749,566	734,413	774,413	24,847
Director of Schools	254,409	0	0	254,409	271,047	270,774	16,365
Office of the Principal	2,472,170	0	0	2,472,170	2,511,113	2,517,089	44,919

(Continued)

Exhibit J-7

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 7/1/2005	Add: Encumbrances 6/30/2006	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	\$ 235,464	\$ 0	\$ 0	\$ 235,464	\$ 253,640	\$ 252,484	\$ 17,020
Operation of Plant	2,991,697	(7,250)	0	2,984,447	2,965,877	3,082,756	98,309
Maintenance of Plant	778,964	(22,581)	0	756,383	788,828	800,484	44,101
Transportation	2,182,918	0	18,500	2,201,418	2,098,426	2,277,212	75,794
<u>Operation of Non-Instructional Services</u>							
Food Service	2,424,505	0	0	2,424,505	2,695,513	2,670,632	246,127
Community Services	350,248	0	0	350,248	387,730	382,735	32,487
Early Childhood Education	324,345	0	10,925	335,270	257,353	344,190	8,920
<u>Capital Outlay</u>							
Regular Capital Outlay	767,799	(744,325)	0	23,474	0	25,000	1,526
Total Expenditures	\$ 42,163,771	\$ (774,156)	\$ 29,425	\$ 41,419,040	\$ 41,799,548	\$ 42,611,445	\$ 1,192,405
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (329,749)	\$ 774,156	\$ (29,425)	\$ 414,982	\$ (662,704)	\$ (1,182,042)	\$ 1,597,024
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 410,024	\$ 0	\$ 0	\$ 410,024	\$ 0	\$ 400,000	\$ 10,024
Transfers In	77,800	0	0	77,800	81,745	86,053	(8,253)
Total Other Financing Sources (Uses)	\$ 487,824	\$ 0	\$ 0	\$ 487,824	\$ 81,745	\$ 486,053	\$ 1,771
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 3,558,049	(774,156)	0	2,783,893	1,180,959	1,180,959	1,602,934
Fund Balance, June 30, 2006	\$ 3,716,124	\$ 0	\$ (29,425)	\$ 3,686,699	\$ 600,000	\$ 484,970	\$ 3,201,729

Exhibit J-8

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 4,034,741	\$ 4,117,074	\$ 4,204,143	\$ (169,402)
Total Revenues	\$ 4,034,741	\$ 4,117,074	\$ 4,204,143	\$ (169,402)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,570,435	\$ 1,545,029	\$ 1,577,483	\$ 7,048
Special Education Program	997,304	998,723	1,041,865	44,561
Vocational Education Program	145,759	178,474	163,851	18,092
<u>Support Services</u>				
Health Services	165,175	181,025	170,972	5,797
Other Student Support	186,018	203,977	226,635	40,617
Regular Instruction Program	516,948	563,963	559,750	42,802
Special Education Program	251,003	253,709	257,636	6,633
Vocational Education Program	148,879	160,546	157,395	8,516
Office of the Principal	4,526	3,396	4,528	2
Transportation	41,232	35,109	41,739	507
Total Expenditures	\$ 4,027,279	\$ 4,123,951	\$ 4,201,854	\$ 174,575
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,462	\$ (6,877)	\$ 2,289	\$ 5,173
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (77,800)	\$ (81,745)	\$ (86,053)	\$ 8,253
Total Other Financing Sources (Uses)	\$ (77,800)	\$ (81,745)	\$ (86,053)	\$ 8,253
Net Change in Fund Balance	\$ (70,338)	\$ (88,622)	\$ (83,764)	\$ 13,426
Fund Balance, July 1, 2005	83,763	88,622	88,622	(4,859)
Fund Balance, June 30, 2006	\$ 13,425	\$ 0	\$ 4,858	\$ 8,567

Exhibit J-9

Jefferson County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
Discretely Presented Jefferson County School Department  
June 30, 2006

Governmental  
 Activities-  
 Internal  
 Service Fund  
 \_\_\_\_\_  
 Employee  
 Insurance -  
 Dental and  
 Vision  
 Fund  
 \_\_\_\_\_

ASSETS

Current Assets:	
Cash	\$ 9,552
Equity in Pooled Cash and Investments	170,989
Total Current Assets	<u>\$ 180,541</u>
Total Assets	<u>\$ 180,541</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 35,980
Total Current Liabilities	<u>\$ 35,980</u>
Total Liabilities	<u>\$ 35,980</u>

NET ASSETS

Unrestricted	<u>\$ 144,561</u>
Net Assets	<u><u>\$ 144,561</u></u>

Exhibit J-10

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, 2006

	Governmental Activities - Internal Service Fund
	<u>Employee Insurance - Dental and Vision Fund</u>
<u>Operating Revenues</u>	
Self Insurance Premiums/Contributions	\$ 302,311
Total Operating Revenues	<u>\$ 302,311</u>
<u>Operating Expenses</u>	
Handling Charges and Administrative Costs	\$ 22,965
Other Self-Insured Claims	238,827
Total Operating Expenses	<u>\$ 261,792</u>
Operating Income (Loss)	<u>\$ 40,519</u>
Changes in Net Assets	\$ 40,519
Net Assets, July 1, 2005	<u>104,042</u>
Net Assets, June 30, 2006	<u><u>\$ 144,561</u></u>

Exhibit J-11

Jefferson County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
Discretely Presented Jefferson County School Department  
For the Year Ended June 30, 2006

	Governmental Activities- Internal Service Fund
	Employee Insurance - Dental and Vision Fund
	<hr/>
<u>Cash Flows from Operating Activities</u>	
Receipts for Self Insurance Premiums	\$ 302,311
Payments for Claims	(242,088)
Payments for Administrative Costs	(22,965)
Net Cash Provided By (Used In) Operating Activities	<hr/> <u>\$ 37,258</u>
Increase (Decrease) in Cash	\$ 37,258
Cash, July 1, 2005	<hr/> 143,283
Cash, June 30, 2006	<hr/> <u>\$ 180,541</u>
<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided by (Used in) Operating Activities</u>	
Operating Income (Loss)	\$ 40,519
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/> (3,261)
Net Cash Provided By (Used In) Operating Activities	<hr/> <u>\$ 37,258</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Cash per Net Assets	\$ 9,552
Equity in Pooled Cash and Investments per Net Assets	<hr/> 170,989
Cash, June 30, 2006	<hr/> <u>\$ 180,541</u>

Exhibit J-12

Jefferson County, Tennessee  
Statement of Fiduciary Net Assets  
Fiduciary Fund  
Discretely Presented Jefferson County School Department  
June 30, 2006

	<u>Other Employee Benefit Trust Fund</u> <u>Flexible Benefit Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 28,228
Total Assets	<u>\$ 28,228</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Employees	<u>\$ 28,228</u>
Total Net Assets	<u><u>\$ 28,228</u></u>

Exhibit J-13

Jefferson County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
Discretely Presented Jefferson County School Department  
For the Year Ended June 30, 2006

	Other Employee Benefit Trust Fund
	<hr/>
	Flexible Benefit Fund
	<hr/>
<u>ADDITIONS</u>	
Plan Member Contributions	\$ 69,751
Total Additions	<hr/> \$ 69,751 <hr/>
<u>DEDUCTIONS</u>	
Employee Benefits	
Other Fringe Benefits	\$ 67,697
Total Deductions	<hr/> \$ 67,697 <hr/>
Change in Net Assets	\$ 2,054
Net Assets, July 1, 2005	<hr/> 26,174 <hr/>
Net Assets, June 30, 2006	<hr/> \$ 28,228 <hr/> <hr/>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Jefferson County, Tennessee  
Schedule of Changes in Other Loans, Capital Leases, and Bonds  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b><u>OTHER LOANS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Local Government Public Improvement (III-C-5)	\$ 10,000,000	4.96 % (1)	10-1-1998	5-25-23	\$ 10,000,000	\$ 0	\$ 0	\$ 10,000,000
Local Government Public Improvement (III-D-3)	10,000,000	Variable	10-21-1999	6-1-19	10,000,000	0	0	10,000,000
Local Government Public Improvement (IV-B-10)	5,000,000	Variable	1-27-00	6-1-12	4,800,000	0	210,000	4,590,000
Local Government Public Improvement (D-2-A)	(2)	Variable	6-30-05	6-1-26	99,000	12,900,512	880,000	12,119,512
Total Payable through General Debt Service Fund					<u>\$ 24,899,000</u>	<u>\$ 12,900,512</u>	<u>\$ 1,090,000</u>	<u>\$ 36,709,512</u>
Total Other Loans Payable					<u>\$ 24,899,000</u>	<u>\$ 12,900,512</u>	<u>\$ 1,090,000</u>	<u>\$ 36,709,512</u>
<b><u>CAPITAL LEASES PAYABLE</u></b>								
<b><u>Payable through General Fund</u></b>								
Patrol Cars	254,766	3.1	8-16-04	8-16-06	\$ 167,238	\$ 0	\$ 82,343	\$ 84,895
Patrol Cars	217,050	5.5	2-17-06	2-17-08	0	217,050	76,256	140,794
Total Payable through General Fund					<u>\$ 167,238</u>	<u>\$ 217,050</u>	<u>\$ 158,599</u>	<u>\$ 225,689</u>
<b><u>Payable through Solid Waste Disposal Fund</u></b>								
Landfill Equipment - Dozer	223,905	5	2-23-06	6-8-10	\$ 0	\$ 223,905	\$ 32,650	\$ 191,255
Total Payable through Solid Waste Disposal Fund					<u>\$ 0</u>	<u>\$ 223,905</u>	<u>\$ 32,650</u>	<u>\$ 191,255</u>
Total Capital Leases Payable					<u>\$ 167,238</u>	<u>\$ 440,955</u>	<u>\$ 191,249</u>	<u>\$ 416,944</u>
<b><u>BONDS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Refunding - Schools	4,930,000	3.8 to 4.9	12-1-1997	4-1-10	\$ 2,645,000	\$ 0	\$ 715,000	\$ 1,930,000
General Obligation Refunding	1,500,000	2 to 3.25	5-30-02	10-1-05	275,000	0	275,000	0
Total Payable through General Debt Service Fund					<u>\$ 2,920,000</u>	<u>\$ 0</u>	<u>\$ 990,000</u>	<u>\$ 1,930,000</u>
Total Bonds Payable					<u>\$ 2,920,000</u>	<u>\$ 0</u>	<u>\$ 990,000</u>	<u>\$ 1,930,000</u>

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

(2) Total amount approved was \$15,000,000, of which \$2,000,488 remains available for draws as of June 30, 2006.

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 505,000	\$ 91,698	\$ 596,698
2008	530,000	68,215	598,215
2009	550,000	43,305	593,305
2010	345,000	16,905	361,905
Total	<u>\$ 1,930,000</u>	<u>\$ 220,123</u>	<u>\$ 2,150,123</u>

Exhibit K-3

Jefferson County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Jefferson County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Other Capital Projects	Litigation tax for the justice center construction	\$ 435,208
General Capital Projects	Other Capital Projects	To provide funds for the justice center construction	105,000
Solid Waste Disposal	General Debt Service	To provide funds for the retirement of debt	100,000
General	General Capital Projects	To provide funds for the construction of a maintenance garage	<u>350,000</u>
Total Transfers Primary Government			<u>\$ 990,208</u>
<u>Discretely Presented School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 77,800</u>
Total Transfers Discretely Presented School Department			<u>\$ 77,800</u>

Exhibit K-4

Jefferson County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Jefferson County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 64,734	\$ 50,000	Ohio Casualty Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	61,652	100,000	Hartford Fire Insurance Company
Director of Schools	State Board of Education and County Board of Education	96,613 (1)	150,000	Tennessee School Boards Risk Management Trust
Trustee	Section 8-24-102, <u>TCA</u>	56,048	1,286,400	Ohio Casualty Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,048	10,000	State Automobile Mutual Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	Ohio Casualty Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	56,048	50,000	State Automobile Mutual Insurance Company
Register	Section 8-24-102, <u>TCA</u>	56,048	25,000	Ohio Casualty Company
Sheriff	Section 8-24-102, <u>TCA</u>	62,171 (2)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			100,000	Hartford Fire Insurance Company
Public Employee Dishonesty - School Department			150,000	Tennessee School Boards Risk Management Trust

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

(2) - Includes law enforcement training supplement of \$519.

Exhibit K-5

Jefferson County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2006

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 5,292,366	\$ 1,157,684	\$ 0	\$ 0	\$ 0	\$ 1,313,413	\$ 1,819,216	\$ 248,075	\$ 9,830,754
Trustee's Collections - Prior Year	156,870	38,134	0	0	0	47,788	28,713	8,475	279,980
Circuit/Clerk & Master Collections - Prior Years	71,177	17,314	0	0	0	15,533	20,573	3,848	128,445
Interest and Penalty	33,725	7,982	0	0	0	8,264	8,447	1,758	60,176
Pick-up Taxes	31,667	6,960	0	0	0	7,907	10,714	1,494	58,742
Payments in-Lieu-of Taxes - Local Utilities	10,632	2,326	0	0	0	2,658	3,655	498	19,769
Payments in-Lieu-of Taxes - Other	52	0	0	0	0	0	0	0	52
<u>County Local Option Taxes</u>									
Hotel/Motel Tax	203,472	0	0	0	0	0	0	0	203,472
Wheel Tax	0	0	0	0	0	0	1,022,024	0	1,022,024
Litigation Tax - General	156,512	0	0	0	0	0	0	0	156,512
Litigation Tax - Special Purpose	1,474	0	0	0	0	0	0	0	1,474
Litigation Tax - Jail, Workhouse, or Courthouse	121,524	0	0	0	0	0	0	0	121,524
Business Tax	306,289	0	0	0	0	0	0	0	306,289
<u>Statutory Local Taxes</u>									
Bank Excise Tax	24,459	5,350	0	0	0	6,115	8,408	1,146	45,478
Wholesale Beer Tax	117,603	0	0	0	0	0	0	0	117,603
<b>Total Local Taxes</b>	<b>\$ 6,527,822</b>	<b>\$ 1,235,750</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,401,678</b>	<b>\$ 2,921,750</b>	<b>\$ 265,294</b>	<b>\$ 12,352,294</b>
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Marriage Licenses	\$ 1,506	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,506
Cable TV Franchise	27,901	0	0	0	0	0	0	0	27,901
<u>Permits</u>									
Beer Permits	712	0	0	0	0	0	0	0	712
Building Permits	294,965	0	0	0	0	0	0	0	294,965
Other Permits	167,805	0	0	0	0	0	0	0	167,805
<b>Total Licenses and Permits</b>	<b>\$ 492,889</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 492,889</b>
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 3,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,144

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	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	\$ 5,406	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,406
Drug Control Fines	0	0	8,909	0	0	0	0	0	8,909
Jail Fees	399	0	0	0	0	0	0	0	399
DUI Treatment Fines	965	0	0	0	0	0	0	0	965
Data Entry Fee - Circuit Court	616	0	0	0	0	0	0	0	616
Courtroom Security Fee	2	0	0	0	0	0	0	0	2
<u>General Sessions Court</u>									
Fines	94,454	0	0	0	0	0	0	0	94,454
Officers Costs	63,880	0	0	0	0	0	0	0	63,880
Game and Fish Fines	3,400	0	0	0	0	0	0	0	3,400
Drug Control Fines	0	0	22,584	0	0	0	0	0	22,584
Jail Fees	43,960	0	0	0	0	0	0	0	43,960
DUI Treatment Fines	16,132	0	0	0	0	0	0	0	16,132
Data Entry Fee - General Sessions Court	8,758	0	0	0	0	0	0	0	8,758
<u>Juvenile Court</u>									
Fines	11,909	0	0	0	0	0	0	0	11,909
Officers Costs	11,568	0	0	0	0	0	0	0	11,568
<u>Chancery Court</u>									
Officers Costs	2,952	0	0	0	0	0	0	0	2,952
Data Entry Fee - Chancery Court	539	0	0	0	0	0	0	0	539
Total Fines, Forfeitures, and Penalties	\$ 268,084	\$ 0	\$ 31,493	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 299,577
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Patient Charges	\$ 2,770,532	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,770,532
Other General Service Charges	0	0	0	0	0	31,263	0	0	31,263
<u>Fees</u>									
Recreation Fees	44,554	0	0	0	0	0	0	0	44,554
Copy Fees	2,217	0	0	0	0	0	0	0	2,217
Library Fees	3,667	0	0	0	0	0	0	0	3,667
Telephone Commissions	28,854	0	0	0	0	0	0	0	28,854
Constitutional Officers' Fees and Commissions	0	0	0	0	731,313	0	0	0	731,313

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Data Processing Fee - Register	\$ 26,158	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,158
Data Processing Fee - Sheriff	9,347	0	0	0	0	0	0	0	9,347
Sexual Offender Registration Fees - Sheriff	2,525	0	0	0	0	0	0	0	2,525
Total Charges for Current Services	\$ 2,887,854	\$ 0	\$ 0	\$ 0	\$ 731,313	\$ 31,263	\$ 0	\$ 0	\$ 3,650,430
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 0	\$ 0	\$ 0	\$ 11,283	\$ 52,769	\$ 0	\$ 867,777	\$ 0	\$ 931,829
Sale of Materials and Supplies	40	0	0	0	0	0	0	0	40
Commissary Sales	18,686	0	0	0	0	0	0	0	18,686
Sale of Maps	208	0	0	0	0	0	0	0	208
Sale of Recycled Materials	880	0	0	0	0	0	0	0	880
Miscellaneous Refunds	8,102	0	0	0	0	489	0	0	8,591
<u>Nonrecurring Items</u>									
Contributions & Gifts	1,125	0	0	0	0	0	0	0	1,125
<u>Other Local Revenues</u>									
Other Local Revenues	560	0	0	0	0	0	0	0	560
Total Other Local Revenues	\$ 29,601	\$ 0	\$ 0	\$ 11,283	\$ 52,769	\$ 489	\$ 867,777	\$ 0	\$ 961,919
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 125,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 125,000
Register	160,000	0	0	0	0	0	0	0	160,000
Trustee	426,850	0	0	0	0	0	0	0	426,850
<u>Fees-In-Lieu of Salary</u>									
Circuit Court Clerk	69,301	0	0	0	0	0	0	0	69,301
General Sessions Court Clerk	245,465	0	0	0	0	0	0	0	245,465
Clerk and Master	67,846	0	0	0	0	0	0	0	67,846
Sheriff	14,017	0	0	0	0	0	0	0	14,017
Total Fees Received from County Officials	\$ 1,108,479	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,108,479

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	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	\$ 13,950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,950
Aging Programs	7,948	0	0	0	0	0	0	0	7,948
State Reappraisal Grant	18,965	0	0	0	0	0	0	0	18,965
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	17,117	0	0	0	0	0	0	0	17,117
Other Public Safety Grants	0	0	0	0	0	43,307	0	0	43,307
<u>Health and Welfare Grants</u>									
Health Department Programs	78,626	0	0	0	0	0	0	0	78,626
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	0	235,416	0	0	235,416
Litter Program	32,652	0	0	0	0	0	0	0	32,652
<u>State Education Funds</u>									
Driver Education	9,130	0	0	0	0	0	0	0	9,130
<u>Other State Revenues</u>									
Emergency Hospital - Prisoners	28,677	0	0	0	0	0	0	0	28,677
Board of Jurors	370	0	0	0	0	0	0	0	370
Contracted Prisoner Boarding	906,506	0	0	0	0	0	0	0	906,506
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,639,042	0	0	1,639,042
Petroleum Special Tax	0	0	0	0	0	35,631	0	0	35,631
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	3,610	0	0	0	0	0	0	0	3,610
Total State of Tennessee	\$ 1,133,931	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,953,396	\$ 0	\$ 0	\$ 3,087,327
<u>Federal Government</u>									
<u>Federal Through State</u>									
Civil Defense Reimbursement	\$ 25,922	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,922
Other Federal through State	198,717	0	0	0	0	0	0	0	198,717
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	89,903	0	0	0	0	0	0	0	89,903
Total Federal Government	\$ 314,542	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 314,542

(Continued)

Exhibit K-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,500	\$ 0	\$ 0	\$ 5,500
Contributions	149,227	0	0	0	0	0	0	0	149,227
<u>Other</u>									
Other	61,452	0	0	1,716,262	0	0	146,625	0	1,924,339
Total Other Governments and Citizens Groups	\$ 210,679	\$ 0	\$ 0	\$ 1,716,262	\$ 0	\$ 5,500	\$ 146,625	\$ 0	\$ 2,079,066
Total	\$ 12,973,881	\$ 1,235,750	\$ 31,493	\$ 1,727,545	\$ 784,082	\$ 3,392,326	\$ 3,936,152	\$ 265,294	\$ 24,346,523

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, 2006

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 5,257,266	\$ 0	\$ 0	\$ 5,257,266
Trustee's Collections - Prior Year	195,952	0	0	195,952
Circuit/Clerk & Master Collections - Prior Years	73,101	0	0	73,101
Interest and Penalty	34,392	0	0	34,392
Pick-up Taxes	31,703	0	0	31,703
Payments in-Lieu-of Taxes - T.V.A.	13,297	0	0	13,297
Payments in-Lieu-of Taxes - Local Utilities	10,632	0	0	10,632
<u>County Local Option Taxes</u>				
Local Option Sales Tax	4,563,206	0	0	4,563,206
<u>Statutory Local Taxes</u>				
Bank Excise Tax	24,459	0	0	24,459
Wholesale Beer Tax	1,268	0	0	1,268
Interstate Telecommunications Tax	12,914	0	0	12,914
Total Local Taxes	\$ 10,218,190	\$ 0	\$ 0	\$ 10,218,190
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 3,055	\$ 0	\$ 0	\$ 3,055
Total Licenses and Permits	\$ 3,055	\$ 0	\$ 0	\$ 3,055
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 698,660	\$ 0	\$ 0	\$ 698,660
Lunch Payments - Adults	69,367	0	0	69,367
Income from Breakfast	70,712	0	0	70,712
A la carte Sales	260,202	0	0	260,202
School Based Health Services - FFS	4,151	0	0	4,151
Receipts from Individual Schools	61,948	0	0	61,948
Community Service Fees - Children	351,249	0	0	351,249
TBI Criminal Background Fees	4,464	0	0	4,464
<u>Other Charges for Services</u>				
Other Charges for Services	16,898	0	0	16,898
Total Charges for Current Services	\$ 1,537,651	\$ 0	\$ 0	\$ 1,537,651
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 21,686	\$ 0	\$ 0	\$ 21,686
Miscellaneous Refunds	59,984	0	0	59,984
<u>Nonrecurring Items</u>				
Sale of Equipment	2,400	0	0	2,400
Contributions & Gifts	1,750	0	0	1,750
<u>Other Local Revenues</u>				
Other Local Revenues	589	0	0	589
Total Other Local Revenues	\$ 86,409	\$ 0	\$ 0	\$ 86,409
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 26,118,182	\$ 0	\$ 0	\$ 26,118,182

(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	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Early Childhood Education	\$ 341,403	\$ 0	\$ 0	\$ 341,403
School Food Service	35,620	0	0	35,620
Driver Education	19,280	0	0	19,280
Other State Education Funds	177,504	0	0	177,504
Career Ladder Program	398,260	0	0	398,260
Career Ladder - Extended Contract	192,894	0	0	192,894
<u>Other State Revenues</u>				
Income Tax	113,667	0	0	113,667
Beer Tax	63,298	0	0	63,298
State Revenue Sharing - T.V.A.	660,303	0	0	660,303
Total State of Tennessee	\$ 28,120,411	\$ 0	\$ 0	\$ 28,120,411
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 1,191,678	\$ 0	\$ 0	\$ 1,191,678
Breakfast	298,940	0	0	298,940
Adult Education State Grant Program	103,453	0	0	103,453
Vocational Education - Basic Grants to States	0	160,602	0	160,602
Title I Grants to Local Education Agencies	0	1,456,637	0	1,456,637
Innovative Education Program Strategies	0	34,308	0	34,308
Special Education - Grants to States	28,166	1,385,658	0	1,413,824
Special Education Preschool Grants	0	54,022	0	54,022
Eisenhower Professional Development State Grants	0	468,777	0	468,777
Other Federal through State	182,992	474,737	0	657,729
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	52,920	0	0	52,920
Other Direct Federal Revenue	10,157	0	0	10,157
Total Federal Government	\$ 1,868,306	\$ 4,034,741	\$ 0	\$ 5,903,047
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 0	\$ 0	\$ 2,000,000	\$ 2,000,000
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 2,000,000	\$ 2,000,000
Total	\$ 41,834,022	\$ 4,034,741	\$ 2,000,000	\$ 47,868,763

Exhibit K-7

Jefferson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Medical Personnel	\$	5,700	
Board and Committee Members Fees		85,750	
Audit Services		10,118	
Dues and Memberships		10,227	
Financial Advisory Services		5,650	
Legal Services		18,700	
Travel		3,301	
Other Contracted Services		43,411	
Other Charges		27	
Total County Commission			\$ 182,884

Board of Equalization

Board and Committee Members Fees	\$	750	
Total Board of Equalization			750

Other Boards and Committees

Postal Charges	\$	18	
Total Other Boards and Committees			18

County Mayor/Executive

County Official/Administrative Officer	\$	64,734	
Other Salaries & Wages		139,289	
State Retirement		4,201	
Advertising		2,830	
Communication		1,938	
Travel		1,651	
Office Supplies		1,926	
Office Equipment		995	
Total County Mayor/Executive			217,564

Election Commission

Supervisor/Director	\$	47,641	
Clerical Personnel		29,860	
Part-time Personnel		9,555	
Election Commission		6,300	
Election Workers		9,645	
State Retirement		1,629	
Advertising		1,056	
Communication		1,288	
Maintenance Agreements		4,994	

(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.)

Postal Charges	\$	26	
Printing, Stationery, and Forms		9,833	
Travel		9,159	
Other Contracted Services		13,665	
Data Processing Supplies		686	
Office Supplies		1,321	
Other Charges		927	
Data Processing Equipment		11,830	
Total Election Commission			\$ 159,415

Register of Deeds

Communication	\$	776	
Data Processing Services		23,488	
Maintenance Agreements		1,248	
Data Processing Supplies		3,597	
Office Supplies		11,309	
Other Charges		157	
Total Register of Deeds			40,575

Codes Compliance

Clerical Personnel	\$	27,810	
Other Salaries & Wages		41,095	
State Retirement		1,448	
Communication		459	
Maintenance & Repair Services - Vehicles		285	
Gasoline		706	
Office Supplies		276	
Refunds		5,273	
Other Charges		157	
Furniture and Fixtures		981	
Total Codes Compliance			78,490

County Buildings

Custodial Personnel	\$	44,172	
Maintenance Personnel		58,317	
Part-time Personnel		3,720	
State Retirement		2,170	
Communication		14,454	
Maintenance Agreements		18,830	
Maintenance & Repair Services - Buildings		39,062	

(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 - Office Equipment	\$	2,030	
Maintenance & Repair Services - Vehicles		7,182	
Postal Charges		42,778	
Custodial Supplies		7,160	
Electricity		28,764	
Gasoline		5,943	
Natural Gas		16,418	
Office Supplies		8,424	
Water and Sewer		11,008	
Building and Contents Insurance		32,621	
Vehicle and Equipment Insurance		8,904	
Other Charges		5,635	
Office Equipment		9,506	
Total County Buildings			\$ 367,098

Other General Administration

Contributions	\$	4,925	
Other Charges		360	
Total Other General Administration			5,285

Preservation of Records

Maintenance & Repair Services - Office Equipment	\$	2,421	
Office Supplies		2,573	
Data Processing Equipment		1,963	
Total Preservation of Records			6,957

Finance

Accounting and Budgeting

Data Processing Services	\$	352	
Data Processing Supplies		1,718	
Data Processing Equipment		3,344	
Total Accounting and Budgeting			5,414

Property Assessor's Office

County Official/Administrative Officer	\$	56,048	
Assessment Personnel		70,191	
Secretary(ies)		30,441	
State Retirement		3,293	
Audit Services		29,500	
Communication		585	

(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.)

Data Processing Services	\$	15,109	
Travel		953	
Office Supplies		762	
Other Supplies and Materials		23,365	
Other Charges		98	
Other Equipment		21,923	
Total Property Assessor's Office			\$ 252,268

Reappraisal Program

Assessment Personnel	\$	30,818	
Clerical Personnel		30,441	
Longevity Pay		900	
Social Security		3,534	
State Retirement		7,838	
Life Insurance		143	
Medical Insurance		10,233	
Unemployment Compensation		56	
Employer Medicare		827	
Data Processing Services		5,919	
Maintenance & Repair Services - Vehicles		634	
Postal Charges		46	
Gasoline		1,812	
Vehicle and Equipment Insurance		1,188	
Other Charges		442	
Total Reappraisal Program			94,831

County Trustee's Office

Communication	\$	573	
Data Processing Services		8,067	
Legal Notices, Recording, and Court Costs		642	
Maintenance Agreements		4,996	
Office Supplies		3,862	
Other Charges		430	
Data Processing Equipment		4,169	
Total County Trustee's Office			22,739

County Clerk's Office

Communication	\$	1,730
Maintenance Agreements		16,248
Office Supplies		15,494

(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.)

Other Charges	\$	581	
Data Processing Equipment		2,162	
Total County Clerk's Office			\$ 36,215

Other Finance

Liability Insurance	\$	61,369	
Premiums on Corporate Surety Bonds		1,243	
Refunds		439	
Trustee's Commission		158,451	
Workers' Compensation Insurance		17,430	
Liability Claims		16,626	
Total Other Finance			255,558

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,048	
Deputy(ies)		35,640	
Clerical Personnel		151,827	
Jury and Witness Fees		7,605	
State Retirement		5,187	
Communication		1,583	
Data Processing Services		3,150	
Legal Notices, Recording, and Court Costs		150	
Maintenance Agreements		4,037	
Other Contracted Services		27,300	
Office Supplies		10,730	
Office Equipment		1,555	
Total Circuit Court			304,812

General Sessions Court

Judge(s)	\$	96,887	
Secretary(ies)		31,817	
Attendants		31,817	
In-Service Training		91	
Other Per Diem & Fees		15,876	
State Retirement		3,374	
Operating Lease Payments		587	
Legal Notices, Recording, and Court Costs		242	
Maintenance Agreements		41	
Maintenance & Repair Services - Vehicles		1,639	

(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.)

Travel	\$	2,291	
Gasoline		2,851	
Library Books/Media		3,448	
Office Supplies		647	
Uniforms		252	
Other Charges		382	
Total General Sessions Court			\$ 192,242

Chancery Court

County Official/Administrative Officer	\$	56,048	
Assistant(s)		31,887	
Deputy(ies)		30,440	
State Retirement		2,488	
Advertising		74	
Communication		587	
Maintenance Agreements		6,300	
Travel		386	
Office Supplies		1,515	
Other Charges		202	
Total Chancery Court			129,927

Juvenile Court

Youth Service Officer(s)	\$	63,578	
Longevity Pay		1,100	
Social Security		4,010	
State Retirement		8,156	
Life Insurance		137	
Medical Insurance		5,131	
Unemployment Compensation		29	
Employer Medicare		938	
Communication		1,941	
Contracts with Government Agencies		29,456	
Data Processing Services		1,200	
Legal Services		2,569	
Travel		2,744	
Drug Treatment		469	
Data Processing Supplies		560	
Office Supplies		602	
Other Charges		38	
Total Juvenile Court			122,658

(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	\$	61,652	
Assistant(s)		81,162	
Deputy(ies)		874,431	
Detective(s)		101,127	
Secretary(ies)		60,694	
Part-time Personnel		146,398	
Longevity Pay		19,905	
Overtime Pay		5,148	
Other Salaries & Wages		600	
In-Service Training		33,278	
Social Security		85,006	
State Retirement		128,376	
Life Insurance		2,714	
Medical Insurance		188,216	
Unemployment Compensation		1,783	
Employer Medicare		19,882	
Other Fringe Benefits		32,903	
Communication		21,215	
Data Processing Services		12,344	
Legal Services		876	
Maintenance Agreements		9,501	
Maintenance & Repair Services - Equipment		4,777	
Maintenance & Repair Services - Vehicles		108,045	
Postal Charges		664	
Rentals		2,752	
Travel		2,773	
Other Contracted Services		1,946	
Gasoline		143,339	
Instructional Supplies and Materials		5,571	
Library Books/Media		59	
Office Supplies		7,030	
Tires and Tubes		10,541	
Uniforms		22,932	
Liability Insurance		31,525	
Vehicle and Equipment Insurance		33,239	
Workers' Compensation Insurance		42,000	
Other Charges		4,285	
Motor Vehicles		217,050	
Other Equipment		89,270	
Total Sheriff's Department			\$ 2,615,009

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Wheel Tax Officer

Part-time Personnel	\$	6,813	
Social Security		422	
Unemployment Compensation		27	
Employer Medicare		99	
Total Wheel Tax Officer			\$ 7,361

Jail

Medical Personnel	\$	35,771	
Guards		410,013	
Cafeteria Personnel		24,528	
Part-time Personnel		17,005	
Longevity Pay		9,200	
In-Service Training		3,548	
Social Security		33,470	
State Retirement		49,366	
Life Insurance		1,180	
Medical Insurance		92,869	
Unemployment Compensation		550	
Employer Medicare		7,267	
Other Fringe Benefits		17,631	
Maintenance & Repair Services - Buildings		21,897	
Medical and Dental Services		65,246	
Custodial Supplies		27,213	
Electricity		26,699	
Food Supplies		150,237	
Natural Gas		24,299	
Uniforms		7,126	
Water and Sewer		14,847	
Building and Contents Insurance		7,501	
Workers' Compensation Insurance		19,899	
Other Charges		3,225	
Other Equipment		24,989	
Total Jail			1,095,576

Public Safety Grant Programs

Instructional Supplies and Materials	\$	107,261	
Total Public Safety Grant Programs			107,261

Other Public Safety

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

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	57,146	
Longevity Pay		600	
Social Security		3,429	
State Retirement		6,881	
Life Insurance		188	
Medical Insurance		14,019	
Unemployment Compensation		76	
Employer Medicare		802	
Contracts with Government Agencies		26,445	
Travel		760	
Drugs and Medical Supplies		29,779	
Workers' Compensation Insurance		875	
Total Local Health Center			\$ 141,000

Rabies and Animal Control

Part-time Personnel	\$	7,900	
Longevity Pay		1,500	
Other Salaries & Wages		31,821	
Social Security		2,536	
State Retirement		4,202	
Life Insurance		68	
Medical Insurance		5,086	
Unemployment Compensation		59	
Employer Medicare		596	
Communication		1,055	
Maintenance & Repair Services - Vehicles		1,201	
Gasoline		3,582	
Vehicle and Equipment Insurance		593	
Workers' Compensation Insurance		2,126	
Other Equipment		457	
Total Rabies and Animal Control			62,782

Ambulance/Emergency Medical Services

Assistant(s)	\$	110,558	
Supervisor/Director		52,584	
Mechanic(s)		32,865	
Clerical Personnel		90,708	
Attendants		1,363,142	
Part-time Personnel		176,776	
Longevity Pay		23,600	

(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.)

Other Salaries & Wages	\$	21,062	
In-Service Training		17,091	
Social Security		118,125	
State Retirement		210,756	
Life Insurance		3,055	
Medical Insurance		226,840	
Unemployment Compensation		1,687	
Employer Medicare		27,626	
Other Fringe Benefits		60,795	
Communication		9,808	
Maintenance Agreements		4,233	
Maintenance & Repair Services - Equipment		10,734	
Maintenance & Repair Services - Vehicles		83,799	
Postal Charges		5,046	
Tuition		240	
Diesel Fuel		100,925	
Drugs and Medical Supplies		126,995	
Electricity		13,578	
Instructional Supplies and Materials		2,972	
Natural Gas		4,901	
Office Supplies		6,235	
Tires and Tubes		9,647	
Uniforms		18,907	
Water and Sewer		1,175	
Other Supplies and Materials		9,378	
Building and Contents Insurance		6,514	
Liability Insurance		22,646	
Refunds		18,540	
Vehicle and Equipment Insurance		11,871	
Workers' Compensation Insurance		134,292	
Other Charges		4,393	
Data Processing Equipment		2,120	
Furniture and Fixtures		4,390	
Motor Vehicles		196,879	
Other Equipment		51,580	
Total Ambulance/Emergency Medical Services			\$ 3,399,068

General Welfare Assistance

Medical and Dental Services	\$	818	
Pauper Burials		1,800	
Total General Welfare Assistance			2,618

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Aid to Dependent Children

Other Charges	\$ 503	
Total Aid to Dependent Children		\$ 503

Sanitation Education/Information

Guards	\$ 31,821	
Longevity Pay	1,400	
Social Security	2,060	
State Retirement	4,189	
Life Insurance	68	
Medical Insurance	5,086	
Unemployment Compensation	28	
Employer Medicare	482	
Communication	441	
Maintenance & Repair Services - Vehicles	82	
Gasoline	1,859	
Instructional Supplies and Materials	4,643	
Other Supplies and Materials	59	
Vehicle and Equipment Insurance	593	
Workers' Compensation Insurance	1,199	
Total Sanitation Education/Information		54,010

Other Public Health and Welfare

Supervisor/Director	\$ 43,260
Longevity Pay	600
Other Salaries & Wages	73,579
Social Security	7,241
State Retirement	13,926
Life Insurance	245
Medical Insurance	18,162
Unemployment Compensation	131
Employer Medicare	1,693
Communication	3,279
Maintenance & Repair Services - Vehicles	1,127
Postal Charges	481
Travel	1,137
Gasoline	6,280
Office Supplies	1,489
Refunds	50
Workers' Compensation Insurance	5,915
Other Charges	265

(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.)

Motor Vehicles	\$	20,892	
Other Equipment		<u>1,515</u>	
Total Other Public Health and Welfare	\$		201,267

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Assistant(s)	\$	77,941	
Supervisor/Director		28,923	
Salary Supplements		5,100	
Social Security		6,835	
State Retirement		13,476	
Life Insurance		410	
Medical Insurance		30,604	
Employer Medicare		1,599	
Communication		1,944	
Travel		1,823	
Office Supplies		2,222	
Workers' Compensation Insurance		<u>425</u>	
Total Senior Citizens Assistance			171,302

Libraries

Librarians	\$	174,895	
In-Service Training		1,199	
Social Security		10,810	
State Retirement		15,622	
Life Insurance		410	
Medical Insurance		30,427	
Unemployment Compensation		296	
Employer Medicare		2,528	
Communication		1,791	
Maintenance & Repair Services - Equipment		3,121	
Library Books/Media		30,961	
Periodicals		3,861	
Utilities		1,345	
Other Supplies and Materials		5,284	
Building and Contents Insurance		1,495	
Workers' Compensation Insurance		693	
Other Charges		18,411	
Data Processing Equipment		3,680	
Other Equipment		<u>4,195</u>	
Total Libraries			311,024

(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.)

Other Social, Cultural, and Recreational

Supervisor/Director	\$	6,325	
Other Salaries & Wages		28,296	
Social Security		1,981	
Employer Medicare		463	
Communication		163	
Maintenance & Repair Services - Buildings		858	
Maintenance & Repair Services - Equipment		12,525	
Electricity		4,121	
Water and Sewer		6,037	
Chemicals		17,727	
Other Charges		4,524	
Total Other Social, Cultural, and Recreational			\$ 83,020

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	41,224	
Part-time Personnel		7,706	
Social Security		3,154	
State Retirement		1,314	
Other Fringe Benefits		4,172	
Communication		4,367	
Dues and Memberships		235	
Travel		1,562	
Electricity		1,758	
Instructional Supplies and Materials		316	
Natural Gas		2,630	
Water and Sewer		149	
Other Charges		381	
Data Processing Equipment		1,239	
Total Agriculture Extension Service			70,207

Soil Conservation

Secretary(ies)	\$	21,757	
Longevity Pay		600	
Social Security		1,367	
State Retirement		2,819	
Life Insurance		68	
Medical Insurance		5,131	
Unemployment Compensation		28	
Employer Medicare		320	

(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 (Cont.)

Dues and Memberships	\$	320	
Workers' Compensation Insurance		85	
Total Soil Conservation			\$ 32,495

Other Operations

Public Transportation

Contributions	\$	476	
Total Public Transportation			476

Veterans' Services

Other Salaries & Wages	\$	24,527	
Communication		1,284	
Travel		406	
Office Supplies		152	
Total Veterans' Services			26,369

Contributions to Other Agencies

Contributions	\$	585,570	
Total Contributions to Other Agencies			585,570

Employee Benefits

Longevity Pay	\$	22,800	
Social Security		80,621	
State Retirement		118,522	
Life Insurance		3,066	
Medical Insurance		217,771	
Dental Insurance		20,088	
Unemployment Compensation		2,080	
Employer Medicare		18,768	
Total Employee Benefits			483,716

Principal on Debt

General Government

Principal on Capital Leases	\$	158,599	
Total General Government			158,599

Interest on Debt

General Government

Interest on Capital Leases	\$	5,184	
Total General Government			5,184

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Debt Service

General Government

Other Debt Service	\$ 350	
Total General Government		\$ 350

Capital Projects

Other General Government Projects

Other Contracted Services	\$ 1,125	
Total Other General Government Projects		<u>1,125</u>

Total General Fund		\$ 12,419,592
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$ 26,382	
Longevity Pay	6,200	
Other Salaries & Wages	323,906	
Social Security	26,679	
State Retirement	39,364	
Employee and Dependent Insurance	71,388	
Life Insurance	969	
Dental Insurance	600	
Unemployment Compensation	303	
Contracts with Private Agencies	11,600	
Data Processing Services	3,759	
Maintenance & Repair Services - Vehicles	57,126	
Postal Charges	345	
Rentals	5,475	
Travel	38	
Disposal Fees	723,696	
Diesel Fuel	29,297	
Gasoline	7,929	
Lubricants	1,970	
Office Supplies	276	
Tires and Tubes	10,073	
Utilities	13,855	
Other Supplies and Materials	2,916	
Trustee's Commission	24,454	
Vehicle and Equipment Insurance	8,127	
Workers' Compensation Insurance	22,201	
Solid Waste Equipment	<u>17,449</u>	
Total Waste Pickup		\$ 1,436,377

(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	\$ 4,320	
Total Other Charges	<u>4,320</u>	\$ 4,320

Total Solid Waste/Sanitation Fund		\$ 1,440,697
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Drug Control Fund

Finance

Other Finance

Trustee's Commission	\$ 303	
Total Other Finance	<u>303</u>	\$ 303

Public Safety

Drug Enforcement

Other Charges	\$ 6,557	
Other Equipment	<u>13,382</u>	
Total Drug Enforcement		<u>19,939</u>

Total Drug Control Fund		20,242
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Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 41	
Total Chancery Court		\$ 41

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 206,155	
Total Register of Deeds		206,155

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 149,615	
Total County Trustee's Office		149,615

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 408,753	
Total County Clerk's Office		<u>408,753</u>

Total Constitutional Officers - Fees Fund		764,564
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(Continued)

Exhibit K-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	61,652	
Accountants/Bookkeepers		39,387	
Clerical Personnel		28,091	
Longevity Pay		1,700	
Board and Committee Members Fees		9,120	
Communication		5,565	
Data Processing Services		5,926	
Dues and Memberships		2,471	
Legal Notices, Recording, and Court Costs		208	
Postal Charges		742	
Travel		43	
Other Contracted Services		1,970	
Office Supplies		2,962	
Other Charges		3,759	
Office Equipment		1,599	
Total Administration			\$ 165,195

Highway and Bridge Maintenance

Laborers	\$	916,185	
Longevity Pay		30,200	
Rentals		9,456	
Asphalt - Liquid		231,477	
Other Road Supplies		54,365	
Pipe - Metal		15,450	
Road Signs		14,786	
Other Supplies and Materials		261	
Total Highway and Bridge Maintenance			1,272,180

Operation and Maintenance of Equipment

Mechanic(s)	\$	192,389	
Longevity Pay		6,500	
Maintenance & Repair Services - Equipment		171,049	
Diesel Fuel		41,172	
Gasoline		87,690	
Lubricants		14,444	
Natural Gas		84,143	
Tires and Tubes		26,254	
Water and Sewer		276	
Other Supplies and Materials		9,144	
Total Operation and Maintenance of Equipment			633,061

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations

Laborers	\$	244,317	
Longevity Pay		7,700	
Explosive and Drilling Services		32,280	
Maintenance & Repair Services - Equipment		34,194	
Electricity		105,161	
Other Charges		<u>26,183</u>	
Total Quarry Operations	\$		449,835

Asphalt Plant Operations

Maintenance & Repair Services - Equipment	\$	<u>24,672</u>	
Total Asphalt Plant Operations			24,672

Other Charges

Building and Contents Insurance	\$	4,479	
Liability Insurance		5,608	
Trustee's Commission		44,954	
Vehicle and Equipment Insurance		<u>37,641</u>	
Total Other Charges			92,682

Employee Benefits

Social Security	\$	112,363	
State Retirement		183,137	
Employee and Dependent Insurance		244,772	
Unemployment Compensation		1,072	
Workers' Compensation Insurance		<u>132,172</u>	
Total Employee Benefits			673,516

Capital Outlay

Motor Vehicles	\$	<u>3,700</u>	
Total Capital Outlay			<u>3,700</u>

Total Highway/Public Works Fund \$ 3,314,841

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	275,000	
Principal on Other Loans		<u>880,000</u>	
Total General Government	\$		1,155,000

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Education

Principal on Bonds	\$ 715,000	
Principal on Other Loans	210,000	
Total Education		\$ 925,000

Interest on Debt

General Government

Interest on Bonds	\$ 4,469	
Interest on Other Loans	320,916	
Total General Government		325,385

Education

Interest on Bonds	\$ 129,034	
Interest on Other Loans	995,561	
Total Education		1,124,595

Other Debt Service

General Government

Trustee's Commission	\$ 54,652	
Other Debt Service	5,888	
Total General Government		60,540

Capital Projects

Education Capital Projects

Contributions	\$ 2,000,000	
Total Education Capital Projects		2,000,000

Total General Debt Service Fund \$ 5,590,520

General Capital Projects Fund

Capital Projects

Other General Government Projects

Other Contracted Services	\$ 30,622	
Trustee's Commission	5,250	
Building Construction	124,996	
Building Improvements	33,452	
Disabilities Act Improvements	5,903	
Total Other General Government Projects		\$ 200,223

Highway & Street Capital Projects

Highway Equipment	\$ 77,309	
Total Highway & Street Capital Projects		77,309

Total General Capital Projects Fund 277,532

(Continued)

Exhibit K-7

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

Other Capital Projects Fund

Capital Projects

Administration of Justice Projects

Engineering Services

\$ 90,810

Building Construction

13,279,703

Other Capital Outlay

74,120

Total Administration of Justice Projects

\$ 13,444,633

Total Other Capital Projects Fund

\$ 13,444,633

Total Governmental Funds - Primary Government

\$ 37,272,621

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, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 14,798,478	
Career Ladder Program	266,095	
Career Ladder Extended Contracts	172,015	
Educational Assistants	178,190	
Other Salaries & Wages	15,406	
Certified Substitute Teachers	82,580	
Non-certified Substitute Teachers	223,936	
Social Security	926,157	
State Retirement	845,232	
Life Insurance	28,684	
Medical Insurance	2,507,566	
Dental Insurance	61,709	
Employer Medicare	216,602	
Maintenance & Repair Services - Equipment	35,039	
Other Contracted Services	46,600	
Instructional Supplies and Materials	171,089	
Textbooks	424,584	
Fee Waivers	87,614	
Other Charges	5,623	
Regular Instruction Equipment	588,263	
Total Regular Instruction Program		\$ 21,681,462

Alternative Instruction Program

Other Contracted Services	\$ 250,000	
Total Alternative Instruction Program		250,000

Special Education Program

Teachers	\$ 1,560,647	
Career Ladder Program	15,260	
Homebound Teachers	7,872	
Social Security	93,016	
State Retirement	85,353	
Life Insurance	2,987	
Medical Insurance	253,815	
Dental Insurance	8,047	
Employer Medicare	21,754	
Instructional Supplies and Materials	24,537	
Special Education Equipment	28,499	
Total Special Education Program		2,101,787

(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	\$	773,969	
Career Ladder Program		6,000	
Certified Substitute Teachers		945	
Non-certified Substitute Teachers		3,662	
Social Security		46,587	
State Retirement		42,898	
Life Insurance		1,340	
Medical Insurance		108,666	
Dental Insurance		1,733	
Employer Medicare		10,895	
Maintenance & Repair Services - Equipment		646	
Instructional Supplies and Materials		43,000	
Vocational Instruction Equipment		15,000	
Total Vocational Education Program	\$		1,055,341

Adult Education Program

Teachers	\$	78,112	
Social Security		4,810	
State Retirement		4,215	
Life Insurance		114	
Medical Insurance		9,728	
Dental Insurance		250	
Employer Medicare		1,125	
Instructional Supplies and Materials		8,070	
Other Charges		1,582	
Total Adult Education Program			108,006

Support Services

Attendance

Other Salaries & Wages	\$	4,959	
Social Security		282	
Employer Medicare		66	
Travel		756	
Total Attendance			6,063

Health Services

Medical Personnel	\$	84,454	
Other Salaries & Wages		4,000	
Social Security		5,710	

(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 (Cont.)

State Retirement	\$	11,877	
Life Insurance		308	
Medical Insurance		25,443	
Dental Insurance		700	
Employer Medicare		1,335	
Travel		32	
Drugs and Medical Supplies		15	
Other Supplies and Materials		2,235	
Total Health Services			\$ 136,109

Other Student Support

Career Ladder Program	\$	5,977	
Guidance Personnel		603,241	
Assessment Personnel		41,977	
Clerical Personnel		16,663	
Attendants		109,656	
School Resource Officer		18,032	
Other Salaries & Wages		25,014	
Social Security		47,626	
State Retirement		54,471	
Life Insurance		2,320	
Medical Insurance		200,062	
Dental Insurance		5,331	
Employer Medicare		11,133	
Evaluation and Testing		10,408	
Travel		1,275	
Other Supplies and Materials		3,060	
Total Other Student Support			1,156,246

Regular Instruction Program

Supervisor/Director	\$	131,162
Career Ladder Program		11,666
Librarians		404,241
Materials Supervisor		41,200
Instructional Computer Personnel		68,666
Secretary(ies)		123,862
Clerical Personnel		50,407
Other Salaries & Wages		212,152
Social Security		62,203

(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.)

State Retirement	\$	81,434	
Life Insurance		1,887	
Medical Insurance		158,732	
Dental Insurance		4,931	
Employer Medicare		13,948	
Travel		12,998	
Other Supplies and Materials		11,697	
In Service/Staff Development		34,630	
Other Charges		4,382	
Other Equipment		20,216	
Total Regular Instruction Program			\$ 1,450,414

Special Education Program

Supervisor/Director	\$	68,666	
Career Ladder Program		7,000	
Assessment Personnel		52,526	
Secretary(ies)		27,765	
Other Salaries & Wages		138,294	
Social Security		17,373	
State Retirement		26,950	
Life Insurance		547	
Medical Insurance		40,845	
Dental Insurance		1,399	
Employer Medicare		4,064	
Maintenance & Repair Services - Equipment		375	
Travel		11,430	
Other Contracted Services		32,362	
Total Special Education Program			429,596

Vocational Education Program

Supervisor/Director	\$	62,723
Career Ladder Program		1,000
Secretary(ies)		22,898
Social Security		4,873
State Retirement		6,392
Life Insurance		137
Medical Insurance		15,920
Dental Insurance		400
Employer Medicare		1,140

(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.)

Travel	\$	13,302	
Other Contracted Services		9,660	
Other Supplies and Materials		1,413	
Other Equipment		2,200	
Total Vocational Education Program			\$ 142,058

Adult Programs

Supervisor/Director	\$	52,966	
Clerical Personnel		2,398	
Other Salaries & Wages		22,241	
Social Security		4,621	
State Retirement		5,743	
Life Insurance		91	
Medical Insurance		10,913	
Dental Insurance		266	
Employer Medicare		1,081	
Travel		280	
In Service/Staff Development		1,260	
Other Charges		3,996	
Other Equipment		8,748	
Total Adult Programs			114,604

Board of Education

Board and Committee Members Fees	\$	8,400	
Social Security		521	
Unemployment Compensation		8,901	
Employer Medicare		122	
Audit Services		6,700	
Dues and Memberships		16,587	
Legal Services		102,279	
Travel		6,012	
Other Contracted Services		2,500	
Liability Insurance		52,988	
Trustee's Commission		228,202	
Workers' Compensation Insurance		302,519	
Criminal Investigation of Applicants - TBI		4,560	
Other Charges		9,275	
Total Board of Education			749,566

(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.)

Director of Schools

County Official/Administrative Officer	\$	96,613	
Secretary(ies)		66,708	
Social Security		9,722	
State Retirement		18,822	
Life Insurance		205	
Medical Insurance		14,850	
Dental Insurance		800	
Employer Medicare		2,448	
Other Fringe Benefits		3,677	
Communication		7,978	
Postal Charges		5,546	
Travel		3,283	
Other Contracted Services		9,152	
Office Supplies		8,447	
Other Charges		1,968	
Administration Equipment		4,190	
Total Director of Schools			\$ 254,409

Office of the Principal

Principals	\$	626,713	
Career Ladder Program		22,345	
Assistant Principals		454,232	
Secretary(ies)		539,086	
Clerical Personnel		77,286	
Social Security		100,822	
State Retirement		135,938	
Life Insurance		3,320	
Medical Insurance		305,612	
Dental Insurance		8,530	
Employer Medicare		23,580	
Communication		36,378	
Travel		435	
Other Contracted Services		108,128	
Other Supplies and Materials		8,169	
In Service/Staff Development		1,600	
Administration Equipment		19,996	
Total Office of the Principal			2,472,170

(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

Supervisor/Director	\$	48,163	
Accountants/Bookkeepers		53,616	
Secretary(ies)		28,982	
Clerical Personnel		34,245	
Social Security		9,827	
State Retirement		17,252	
Life Insurance		256	
Medical Insurance		25,431	
Dental Insurance		900	
Employer Medicare		2,298	
Maintenance & Repair Services - Equipment		4,175	
Travel		684	
Other Contracted Services		2,135	
Data Processing Supplies		4,456	
Administration Equipment		3,044	
Total Fiscal Services			\$ 235,464

Operation of Plant

Guards	\$	107,799	
Custodial Personnel		718,147	
Social Security		49,930	
State Retirement		95,922	
Life Insurance		2,871	
Medical Insurance		215,529	
Dental Insurance		5,215	
Employer Medicare		11,678	
Other Contracted Services		231,124	
Custodial Supplies		119,796	
Electricity		935,027	
Natural Gas		255,497	
Water and Sewer		83,101	
Boiler Insurance		8,271	
Building and Contents Insurance		151,645	
Other Charges		145	
Total Operation of Plant			2,991,697

Maintenance of Plant

Supervisor/Director	\$	47,030
Maintenance Personnel		250,873

(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	\$	17,916	
State Retirement		36,864	
Life Insurance		699	
Medical Insurance		67,617	
Dental Insurance		916	
Employer Medicare		4,159	
Communication		4,251	
Maintenance & Repair Services - Buildings		31,443	
Maintenance & Repair Services - Equipment		59,833	
Other Contracted Services		70,035	
General Construction Materials		8,481	
Other Supplies and Materials		116,082	
Other Charges		18,581	
Maintenance Equipment		44,184	
Total Maintenance of Plant			\$ 778,964

Transportation

Supervisor/Director	\$	46,216
Mechanic(s)		145,477
Bus Drivers		936,069
Clerical Personnel		26,414
Other Salaries & Wages		705
Social Security		70,538
State Retirement		50,764
Life Insurance		483
Medical Insurance		42,612
Dental Insurance		900
Employer Medicare		16,499
Contracts with Other School Systems		12,794
Contracts with Private Agencies		194,056
Contracts with Parents		5,154
Contracts with Public Carriers		2,000
Maintenance & Repair Services - Vehicles		109,784
Medical and Dental Services		7,350
Other Contracted Services		15,794
Diesel Fuel		211,609
Equipment and Machinery Parts		1,151
Garage Supplies		6,303
Gasoline		62,944

(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.)

Lubricants	\$	7,379	
Tires and Tubes		27,502	
Vehicle Parts		67,272	
Other Supplies and Materials		1,253	
Vehicle and Equipment Insurance		46,525	
Other Charges		5,307	
Transportation Equipment		62,064	
Total Transportation			\$ 2,182,918

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	47,759	
Accountants/Bookkeepers		26,414	
Cafeteria Personnel		811,324	
Other Salaries & Wages		6,870	
In-Service Training		1,921	
Social Security		53,376	
State Retirement		78,045	
Life Insurance		2,346	
Medical Insurance		176,975	
Dental Insurance		4,448	
Unemployment Compensation		6,703	
Employer Medicare		12,484	
Communication		5,331	
Maintenance & Repair Services - Equipment		20,616	
Transportation - Other than Students		21,772	
Travel		2,054	
Other Contracted Services		66,194	
Food Supplies		933,519	
Office Supplies		8,129	
Other Supplies and Materials		109,190	
In Service/Staff Development		6,954	
Food Service Equipment		22,081	
Total Food Service			2,424,505

Community Services

Supervisor/Director	\$	128,641	
Other Salaries & Wages		132,306	
Social Security		15,781	

(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.)

State Retirement	\$	16,331	
Life Insurance		274	
Medical Insurance		20,886	
Dental Insurance		600	
Employer Medicare		3,691	
Travel		1,725	
Food Supplies		12,701	
Other Supplies and Materials		9,210	
Refunds		330	
Other Charges		6,337	
Other Equipment		1,435	
Total Community Services			\$ 350,248

Early Childhood Education

Teachers	\$	101,772	
Educational Assistants		48,133	
Other Salaries & Wages		282	
Social Security		8,944	
State Retirement		7,976	
Life Insurance		542	
Medical Insurance		38,066	
Dental Insurance		1,383	
Employer Medicare		2,092	
Travel		2,181	
Instructional Supplies and Materials		50,808	
Other Charges		3,176	
Other Equipment		58,990	
Total Early Childhood Education			324,345

Capital Outlay

Regular Capital Outlay

Architects	\$	167,600	
Building Improvements		12,500	
Other Capital Outlay		587,699	
Total Regular Capital Outlay			767,799

Total General Purpose School Fund \$ 42,163,771

(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

Instruction

Regular Instruction Program

Teachers	\$	442,628	
Educational Assistants		525,075	
Social Security		59,188	
State Retirement		90,558	
Life Insurance		3,799	
Medical Insurance		295,659	
Dental Insurance		6,519	
Employer Medicare		13,842	
Contracts with Other School Systems		35,250	
Other Contracted Services		44,354	
Instructional Supplies and Materials		47,469	
Regular Instruction Equipment		6,094	
Total Regular Instruction Program			\$ 1,570,435

Special Education Program

Teachers	\$	49,065	
Educational Assistants		476,241	
Certified Substitute Teachers		2,980	
Social Security		30,605	
State Retirement		60,488	
Life Insurance		2,852	
Medical Insurance		210,965	
Dental Insurance		4,715	
Employer Medicare		7,158	
Other Contracted Services		85,424	
Instructional Supplies and Materials		57,922	
Special Education Equipment		8,889	
Total Special Education Program			997,304

Vocational Education Program

Teachers	\$	31,609
Other Salaries & Wages		5,094
Social Security		2,272
State Retirement		2,381
Life Insurance		103
Medical Insurance		7,008
Dental Insurance		100
Employer Medicare		531
Other Supplies and Materials		6,309

(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.)

Vocational Education Program (Cont.)

Vocational Instruction Equipment	\$ 90,352	
Total Vocational Education Program		\$ 145,759

Support Services

Health Services

Medical Personnel	\$ 102,639	
Social Security	5,350	
State Retirement	11,567	
Life Insurance	422	
Medical Insurance	42,861	
Dental Insurance	516	
Employer Medicare	1,251	
Drugs and Medical Supplies	569	
Total Health Services		165,175

Other Student Support

Guidance Personnel	\$ 41,150	
School Resource Officer	27,052	
Other Salaries & Wages	45,921	
Social Security	6,723	
State Retirement	11,525	
Life Insurance	77	
Medical Insurance	4,581	
Employer Medicare	1,573	
Travel	15,097	
Other Contracted Services	3,789	
Other Supplies and Materials	11,661	
In Service/Staff Development	1,977	
Other Charges	11,631	
Other Equipment	3,261	
Total Other Student Support		186,018

Regular Instruction Program

Supervisor/Director	\$ 96,132
Instructional Computer Personnel	26,127
Clerical Personnel	34,293
Other Salaries & Wages	106,881
Social Security	15,804
State Retirement	16,927

(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.)

Regular Instruction Program (Cont.)

Life Insurance	\$	388	
Medical Insurance		39,372	
Dental Insurance		1,210	
Employer Medicare		3,696	
Travel		415	
Other Supplies and Materials		14,326	
In Service/Staff Development		81,629	
Other Charges		4,878	
Other Equipment		74,870	
Total Regular Instruction Program			\$ 516,948

Special Education Program

Psychological Personnel	\$	93,539	
Assessment Personnel		41,150	
Other Salaries & Wages		42,152	
Social Security		10,091	
State Retirement		12,723	
Life Insurance		274	
Medical Insurance		26,970	
Dental Insurance		800	
Employer Medicare		2,360	
Maintenance & Repair Services - Equipment		770	
Travel		4,854	
In Service/Staff Development		15,320	
Total Special Education Program			251,003

Vocational Education Program

Supervisor/Director	\$	55,710	
Secretary(ies)		15,972	
Clerical Personnel		900	
Other Salaries & Wages		38,038	
In-Service Training		1,875	
Social Security		6,680	
State Retirement		3,064	
Employer Medicare		1,562	
Other Fringe Benefits		5,459	
Travel		3,021	
Other Contracted Services		1,758	
Other Supplies and Materials		3,071	

(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 (Cont.)

In Service/Staff Development	\$	150	
Other Charges		<u>11,619</u>	
Total Vocational Education Program	\$		148,879

Office of the Principal

Principals	\$	4,000	
Social Security		248	
State Retirement		220	
Employer Medicare		<u>58</u>	
Total Office of the Principal			4,526

Transportation

Bus Drivers	\$	38,302	
Social Security		2,375	
Employer Medicare		<u>555</u>	
Total Transportation			<u>41,232</u>

Total School Federal Projects Fund \$ 4,027,279

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	736,290	
Other Contracted Services		15,791	
Building Construction		<u>200,209</u>	
Total Education Capital Projects	\$		<u>952,290</u>

Total Education Capital Projects Fund 952,290

Total Governmental Funds - Jefferson County School Department \$ 47,143,340

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, 2006

	Cities - Sales Tax	Cities - Property Tax	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 755,387	\$ 755,387
Trustee's Collections - Prior Years	0	37,137	37,137
Circuit/Clerk and Master Collections - Prior Years	0	3,786	3,786
Interest and Penalty	0	6,423	6,423
Local Option Sales Tax	3,263,667	0	3,263,667
Total Cash Receipts	<u>\$ 3,263,667</u>	<u>\$ 802,733</u>	<u>\$ 4,066,400</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,231,030	\$ 783,714	\$ 4,014,744
Trustee's Commission	32,637	16,006	48,643
Total Cash Disbursements	<u>\$ 3,263,667</u>	<u>\$ 799,720</u>	<u>\$ 4,063,387</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 3,013	\$ 3,013
Cash Balance, July 1, 2005	0	2,788	2,788
Cash Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 5,801</u>	<u>\$ 5,801</u>

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**SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
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

November 21, 2006

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, 2006, which collectively comprise Jefferson County's basic financial statements and have issued our report thereon dated November 21, 2006. Our report on Jefferson County's governmental activities was qualified because capital assets records of the primary government were not adequately maintained. 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 06.01, 06.02, 06.05, 06.06, and 06.07.

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 item 06.01 to be a material weakness.

#### 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 06.03 and 06.04.

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/yu



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
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

November 21, 2006

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, 2006. 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, 2006.

#### 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, 2006, and have issued our report thereon dated November 21, 2006. Our report on Jefferson County's governmental activities was qualified because capital assets records of the primary government were not adequately maintained. 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". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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, 2006, 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 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 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 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. 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.

Compliance and Other Matters

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.

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 E-911, a component unit of Jefferson County, Tennessee, as of and for the year ended June 30, 2006, 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, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 145,254
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	298,940
National School Lunch Program	10.555	N/A	1,191,678
Total U.S. Department of Agriculture			<u>\$ 1,635,872</u>
U. S. Department of Justice:			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	2002-SHWX-0649	\$ 80,131
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0913	6,172
Passed-through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	(2)	1,571
Total U.S. Department of Justice			<u>\$ 87,874</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 149,535
Total U.S. Department of Labor			<u>\$ 149,535</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-06-027786-00	\$ 85,097
Title I Grants to Local Educational Agencies	84.010	N/A	1,517,349
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,516,089
Special Education - Preschool Grants	84.173	N/A	53,965
Vocational Education - Basic Grants to States	84.048	N/A	160,602
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	26,652
Twenty-First Century Community Learning Centers	84.287	(2)	236,164
State Grants for Innovative Programs	84.298	N/A	134,373
Education Technology State Grants	84.318	(2)	132,199
English Language Acquisition Grants	84.365	N/A	48,033
Improving Teacher Quality State Grants	84.367	N/A	215,263
Hurricane Education Recovery	84.938	(2)	15,840
Total U.S. Department of Education			<u>\$ 4,141,626</u>
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)	\$ 29,364
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance For Needy Families	93.558	Z-06-027171-00	18,356
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05-011452-00	110,173
Total U.S. Department of Health and Human Services			<u>\$ 157,893</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	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022459-01	\$ 167,782
Emergency Management Performance Grants	97.042	Z-06-032877-00	25,922
Total U.S. Department of Homeland Security			<u>\$ 193,704</u>
Total Expenditures of Federal Awards			<u><u>\$ 6,366,504</u></u>
<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 13,950
Aging Programs - East Tennessee Human Resource Agency	N/A	(2)	7,948
State Reappraisal Grant - Comptroller of the Treasury	N/A	(2)	18,965
Highway Planning Grant - State Department of Transportation	N/A	(2)	43,307
Health Department Programs - State Department of Health	N/A	(2)	78,626
Litter Program - State Department of Transportation	N/A	(2)	32,652
Solid Waste Grants - State Department of Environment and Conservation	N/A	(2)	17,596
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	13,087
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	341,403
Driver's Education - State Department of Education	N/A	(2)	19,280
Family Resource Center - State Department of Education	N/A	(2)	99,900
Adult Basic Education - State Department of Education	N/A	Z-06-027786-00	24,982
Safe Schools Act Grant - State Department of Education	N/A	(2)	43,984
Total State Grants			<u><u>\$ 755,680</u></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.

Jefferson County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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, for the year ended June 30, 2005, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	188	Some purchase orders were issued after purchases were made
05.02	188	The office did not solicit competitive bids for some applicable purchases

**OFFICE OF SANITATION SUPERVISOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.05	190	The office had deficiencies in maintaining accounts receivable subsidiary records for the Solid Waste Disposal Fund

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.08	191	Duties were not adequately segregated in the Offices of Trustee, Clerk and Master, Circuit and General Sessions Courts Clerk, and Sheriff
05.10	192	The Solid Waste Disposal Fund had a deficit in net assets

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**JEFFERSON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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

1. Our report on the governmental activities is qualified. Our report on the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Jefferson County disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that is 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: School Breakfast Program and 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 quoted in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **JEFFERSON COUNTY**

**FINDING 06.01      DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF CAPITAL ASSETS RECORDS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Our auditor's opinion on the financial statements of Jefferson County's governmental activities was qualified because the capital assets records of the primary government contained numerous material discrepancies, errors, misclassifications, inaccurate calculations of accumulated depreciation balances, and the omission of new capital assets acquisitions. Additionally, some assets were recorded twice, and the beginning balances of some assets presented varied materially from prior-year ending balances. Because capital assets records were not properly maintained, we could not determine if all capital assets had been properly recorded and depreciated.

### **RECOMMENDATION**

Officials should ensure that capital assets records are properly maintained on a current basis to support accurate balances.

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### **OFFICE OF COUNTY MAYOR**

**FINDING 06.02      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 06.03      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 lighting equipment for Sheriff's Department vehicles (\$14,930), and radios (\$5,894) and an all-terrain vehicle (\$7,082) for the Emergency Management Department. Purchasing procedures for the County Mayor's 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 public advertisements for all purchases exceeding \$5,000 as required by state statute.

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**OFFICE OF SANITATION SUPERVISOR**

**FINDING 06.04      A LEASE-PURCHASE AGREEMENT WAS NOT ISSUED IN COMPLIANCE WITH STATE STATUTES**  
(Material Noncompliance Under Government Auditing Standards)

On February 23, 2006, the office entered into a four-year lease-purchase agreement for sanitation equipment (\$223,905) without the prior approval of the County Commission. The County Commission approved the agreement in July 2006. Section 7-51-904, Tennessee Code Annotated (TCA), requires such contracts, leases, or lease-purchase agreements be first approved by resolution of the County Commission. Additionally, the office did not file the Report on Debt Obligations with the state director of Local Finance until July 2006. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, the county must provide to the state director of Local Finance certain information, such as a description of the purchase/construction for which the debt was issued, a description of the debt obligation, and an itemized description of the costs of issuance.

**RECOMMENDATION**

The office should obtain the County Commission's approval prior to entering into a lease-purchase agreement and file the Report on Debt Obligations with the state director of Local Finance within 45 days of the issuance of the debt.

**FINDING 06.05      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.

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**OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 06.06      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, CLERK AND MASTER, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, SHERIFF, AND SANITATION SUPERVISOR**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately in the Offices of Trustee, Clerk and Master, Circuit and General Sessions Courts Clerk, Sheriff, and Sanitation Supervisor. 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 (DIRECT QUOTE)**

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.

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**FINDING 06.07**      **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 net assets deficit of \$440,184 at June 30, 2006, an increase of \$36,515 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 \$1,942,448 reported as landfill closure and post-closure care liability at June 30, 2006, represents the cumulative amount reported to date based on 35 percent of the estimated capacity of the Patterson Landfill Site (\$648,374) and post-closure care costs of the Highway 92 Landfill Site (\$1,294,074). 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 programs.

**JEFFERSON COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2006**

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.