



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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July 3, 2008

MEMORANDUM

TO: Honorable John G. Morgan
Comptroller of the Treasury

FROM: Richard V. Norment
Assistant to the Comptroller

A handwritten signature in black ink, appearing to read "R. Norment", written over the printed name of the sender.

SUBJECT: Report of Cash Shortages and Fund Deficits for Audits of 2007 Financial
Transactions of County Governments

This division has prepared the enclosed schedules of cash shortages and fund deficits disclosed in audits of individual counties. This information was obtained from the Annual Financial Reports of Tennessee's 95 county governments for the year ended June 30, 2007.

If you need additional information regarding these cash shortages and fund deficits, please let me know.

Enclosures

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

Division of County Audit
Summary of Cash Shortage Activity in Fiscal Offices and
Offices of Trustee, County Clerk, Clerks of Courts,
Register of Deeds, and Sheriff
For the Year Ended June 30, 2007

<u>County</u> <u>Office/Department</u>	<u>Cash</u> <u>Shortage</u> <u>June 30, 2006</u>	<u>New</u> <u>Shortages</u>	<u>Reduction</u> <u>Of</u> <u>Shortages</u>	<u>Cash</u> <u>Shortage</u> <u>June 30, 2007</u>
<u>Campbell</u>				
1. County Clerk's Office	\$ 3,969	\$ 0	\$ (3,969)	\$ 0
<u>Cocke</u>				
2. Former Clerk and Master	44,465	0	(1,275)	43,190
<u>Cumberland</u>				
3. Ambulance Service	2,717	0	0	2,717
<u>Decatur</u>				
4. School Department	13,824	0	(7,076)	6,748
<u>Dickson</u>				
5. Circuit Court Clerk's Office	300	0	0	300
<u>Fayette</u>				
6. School Department	4,371	0	(4,371)	0 (1)
<u>Franklin</u>				
7. Juvenile Court Clerk's Office	24,752	0	(24,752)	0
<u>Gibson</u>				
8. Health Department	6,991	0	(6,991)	0
<u>Hamblen</u>				
9. Sheriff's Office	14,326	0	0	14,326
10. County Clerk's Office	12,137	0	(7,899)	4,238
<u>Hardeman</u>				
11. Sanitation Department	21,731	0	(21,731)	0

Division of County Audit
Summary of Cash Shortage Activity in Fiscal Offices and
Offices of Trustee, County Clerk, Clerks of Courts,
Register of Deeds, and Sheriff (Cont)

<u>County</u> <u>Office/Department</u>	<u>Cash</u> <u>Shortage</u> <u>June 30, 2006</u>	<u>New</u> <u>Shortages</u>	<u>Reduction</u> <u>Of</u> <u>Shortages</u>	<u>Cash</u> <u>Shortage</u> <u>June 30, 2007</u>
<u>Henry</u>				
12. Sheriff's Department	\$ 162,658	\$ 0	\$ 0	\$ 162,658
<u>Hickman</u>				
13. Emergency Communications District	11,773	0	0	11,773
<u>Houston</u>				
14. County Executive's Office	3,479	0	(3,479)	0 (2)
<u>Maury</u>				
15. School Department	0	501	0	501
<u>McNairy</u>				
16. Sheriff's Department	0	1,035	(1,035)	0
<u>Morgan</u>				
17. County Clerk's Office	14,756	0	(14,756)	0
<u>Pickett</u>				
18. County Executive's Office	0	2,077	0	2,077
<u>Sequatchie</u>				
19. Sheriff's Department	0	8,669	0	8,669
<u>Sevier</u>				
20. County Clerk's Office	13,389	0	(3,150)	10,239
21. General Sessions Court Clerk's Office	16,643	0	0	16,643
<u>Sumner</u>				
22. School Department	7,122	0	(7,122)	0 (3)
23. School Department		2,023		2,023

Division of County Audit
Summary of Cash Shortage Activity in Fiscal Offices and
Offices of Trustee, County Clerk, Clerks of Courts,
Register of Deeds, and Sheriff (Cont)

<u>County</u> <u>Office/Department</u>	<u>Cash</u> <u>Shortage</u> <u>June 30, 2006</u>	<u>New</u> <u>Shortages</u>	<u>Reduction</u> <u>Of</u> <u>Shortages</u>	<u>Cash</u> <u>Shortage</u> <u>June 30, 2007</u>
<u>Unicoi</u>				
24. General Sessions Court Clerk's Office	\$ 21,431	\$ 791	\$ 0	\$ 22,222
<u>Union</u>				
25. County Clerk's Office	5,903	0	(5,903)	0
<u>Van Buren</u>				
26. County Mayor's Office	7,428	1,072	(8,500)	0
<u>Williamson</u>				
27. Recreation Department	45,037	0	0	45,037
<u>Williamson</u>				
28. District Attorney General's Office	0	3,928	(3,928)	0
<u>Williamson</u>				
29. Library Department	0	266	0	266
<u>Williamson</u>				
30. County Clerk's Office	0	50	0	50
Total	\$ 459,202	\$ 20,412	\$ (125,937)	\$ 353,677

Division of County Audit
Summary of Cash Shortage Activity in Fiscal Offices and
Offices of Trustee, County Clerk, Clerks of Courts,
Register of Deeds, and Sheriff (Cont)

Cash Shortages subsequent to June 30, 2007, that are included in the county's 2006-07 Audit Report.

<u>County</u> <u>Office/Department</u>	<u>New</u> <u>Shortages</u>	<u>Reduction</u> <u>Of</u> <u>Shortages</u>	<u>Ending</u> <u>Shortage</u>
<u>Jackson</u>			
1. Sheriff's Department	\$ 1,866	\$ 0	\$ 1,866
<u>Scott</u>			
2. General Sessions Court Clerk's Office	17,234	(17,234)	0
<u>Sevier</u>			
3. County Executive's Office	741	(741)	0
Total	\$ 19,841	\$ (17,975)	\$ 1,866

Footnotes:

- (1) The remaining unpaid balance of this cash shortage was written off by the county as uncollectable due to the death of the individual who took these funds.
- (2) The remaining unpaid balance of this cash shortage was written off by the county as uncollectable during the 2006-07 year. The county had made numerous attempts to collect this balance over the past few years.
- (3) This cash shortage was written off during the 2006-07 year after a TBI investigation determined that the cafeteria's internal controls were insufficient to determine who took the funds and the School Department's insurance deductible exceed the shortage amount.

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund Balance/Net
Assets Accounts
June 30, 2007

	<u>County</u>		<u>Amount of</u>
	<u>Fund Type</u>		<u>Fund Deficit</u>
	<u>Fund</u>		
1.	<u>Anderson</u>		
	Capital Projects Fund:		
	General Capital Projects	\$ 190,806	
	Education Capital Projects	7,917	
	Fiduciary Fund:		
	Flexible Benefits	14,656	
2.	<u>Benton</u>		
	Capital Projects Fund:		
	Other Capital Projects	446,439	
3.	<u>Blount</u>		
	Capital Projects Fund:		
	Other Capital Projects	27,366,666	
4.	<u>Campbell</u>		
	Capital Projects Fund:		
	Other Capital Projects	5,299,500	
5.	<u>Carter</u>		
	Capital Projects Fund:		
	General Capital Projects	22,014	
6.	<u>Cheatham</u>		
	Capital Projects Fund:		
	Education Capital Projects	49,196	

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund Balance/Net
Assets Accounts (Cont.)

	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
7.	<u>Claiborne</u>	
	Capital Projects Fund:	
	Highway Capital Projects	\$ 146,478
	General Capital Projects	1,415
8.	<u>Cocke</u>	
	Capital Projects Fund:	
	General Capital Projects	301,361
9.	<u>Cumberland</u>	
	Rail Authority:	
	General Fund	551,367
10.	<u>Davidson</u>	
	Special Revenue Funds:	
	Nashville Career Advancement Center	157,163
	Regulation and Inspection Services	181,734
	Capital Projects Funds:	
	GSD Capital Projects	94,966,769
	Education Capital Projects	31,236,867
	USD Capital Projects	13,470,231
11.	<u>Fayette</u>	
	Capital Projects Fund:	
	General Capital Projects	2,423,011
12.	<u>Grainger</u>	
	Special Revenue Funds:	
	Solid Waste/Sanitation	1,047
	School Federal Projects	1,012
	Capital Projects Fund:	
	Education Capital Projects	991,612

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund Balance/Net
Assets Accounts (Cont.)

	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
13.	<u>Hamblen</u>	
	Capital Projects Fund:	
	General Capital Projects	\$ 17,964
	Fiduciary Fund:	
	Employee Benefit Trust	1,408
14.	<u>Hamilton</u>	
	Capital Projects Fund:	
	General Capital Projects	104,202,005
15.	<u>Hancock</u>	
	General Fund	53,376
16.	<u>Hardin</u>	
	Capital Projects Fund:	
	General Capital Projects	2,011,722
	Special Revenue Fund:	
	School Federal Projects	10,528
17.	<u>Hawkins</u>	
	Capital Projects Funds:	
	General Capital Projects	207,007
	Community Development/Industrial Park	29,730
	Special Revenue Fund:	
	School Federal Projects	36,656
18.	<u>Haywood</u>	
	Capital Projects Fund:	
	Community Development/Industrial Park	27,917

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund Balance/Net
Assets Accounts (Cont.)

	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
19.	<u>Hickman</u> Capital Projects Fund: General Capital Projects	\$ 489,314
20.	<u>Houston</u> Capital Projects Fund: Other Capital Projects	76,233
21.	<u>Humphreys</u> Capital Projects Fund: General Capital Projects	45,358
22.	<u>Jefferson</u> Capital Projects Fund: Education Capital Projects Special Revenue Fund: School Federal Projects	3,047,502 1,464
23.	<u>Johnson</u> Capital Projects Fund: Other Capital Projects	43,438
24.	<u>Knox</u> Capital Projects Fund: Public Improvement Special Revenue Fund: School Federal Projects	9,257,333 207,920

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund Balance/Net
Assets Accounts (Cont.)

	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
25.	<u>Lake</u> Special Revenue Fund: Solid Waste/Sanitation	\$ 20,154
26.	<u>Macon</u> Special Revenue Fund: School Federal Projects	3,834
27.	<u>Madison</u> Special Revenue Fund: School Federal Projects	674,126
28.	<u>McMinn</u> Special Revenue Fund: School Federal Projects	20,423
29.	<u>Meigs</u> Special Revenue Fund: Solid Waste/Sanitation	1,632
30.	<u>Obion</u> Special Revenue Fund: School Federal Projects	50,517
31.	<u>Putnam</u> Special Revenue Funds: Community Development/Industrial Park School Federal Projects	3,089,807 35,954

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund
Balance/Net
Assets Accounts (Cont.)

	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
32.	<u>Rhea</u>	
	Special Revenue Fund:	
	General Debt Service	\$ 201,061
	Capital Projects Funds:	
	Community Development/Industrial Park	26,751
	Education Capital Projects	95,066
33.	<u>Robertson</u>	
	Special Revenue Fund:	
	School Federal Projects	2,531
34.	<u>Scott</u>	
	Capital Projects Funds:	
	General Capital Projects	3,899,894
	Other Capital Projects	1,396,945
	Community Development/Industrial Park	1,429,402
35.	<u>Sequatchie</u>	
	Capital Projects Fund:	
	Education Capital Projects	339,569
36.	<u>Sevier</u>	
	Capital Projects Fund:	
	General Capital Projects	2,220,213

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund Balance/Net
Assets Accounts (Cont.)

	<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
37.	<u>Smith</u>	
	Special Revenue Funds:	
	Courthouse and Jail Maintenance	\$ 17,987
	Solid Waste/Sanitation	11,350
	Capital Projects Fund:	
	Other Capital Projects	260,696
	Education Capital Projects	1,223,712
38.	<u>Stewart</u>	
	Capital Projects Fund:	
	Highway Capital Projects	27,119
	Special Revenue Fund:	
	School Federal Projects	8,871
39.	<u>Trousdale</u>	
	Special Revenue Fund:	
	School Federal Projects	10,662
40.	<u>Unicoi</u>	
	Capital Projects Fund:	
	Community Development/Industrial Park	41,888
41.	<u>Weakley</u>	
	Capital Projects Fund:	
	Community Development/Industrial Park	339,080
42.	<u>Wilson</u>	
	Capital Projects Fund:	
	Judicial and Safety Projects	4,994
	Total	<u>\$ 313,048,374</u>

Schedule C

Division Of County Audit
Summary Of Fund Deficits Existing in Net Asset
Accounts Of Proprietary Funds
June 30, 2007

<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Unrestricted</u>
			<u>Net Assets</u>
1.	<u>Benton</u>		
	Enterprise Fund:		
	Public Utility		\$ 615,834
2.	<u>Cumberland</u>		
	Enterprise Fund:		
	Solid Waste Disposal		1,462,535
3.	<u>Davidson</u>		
	Enterprise Funds:		
	General Hospital		14,944,653
	Surplus Property Auction		308,976
	Police Impound		2,243,813
	Internal Service Funds:		
	Injured on Duty		358,298
	Treasury Management		6,793
	General Services		2,393,724
4.	<u>Hardeman</u>		
	Enterprise Fund:		
	Solid Waste Disposal		2,181,290
5.	<u>Hardin</u>		
	Enterprise Fund:		
	Park Rest - Harden County Health Center		554,501
6.	<u>Haywood</u>		
	Enterprise Fund:		
	Solid Waste Disposal		1,361,025

Schedule C

Division Of County Audit
Summary Of Fund Deficits Existing in Net Asset
Accounts Of Proprietary Funds (Cont.)

<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Unrestricted</u>
			<u>Net Assets</u>
7.	<u>Jefferson</u>	Enterprise Fund:	
		Solid Waste Disposal	\$ 1,668,950
8.	<u>Knox</u>	Internal Service Fund:	
		Vehicle Service Center	12,490
9.	<u>Montgomery</u>	Internal Service Fund:	
		Workers' Compensation	824,151
10.	<u>Rutherford</u>	Internal Service Funds:	
		Workers' Compensation	414,675
		Self-Insurance	328,193
11.	<u>Scott</u>	Enterprise Fund:	
		Public Utility	197,505
		Solid Waste Disposal	529,211
12.	<u>Shelby</u>	Enterprise Funds:	
		Agricenter International	40,149
13.	<u>Smith</u>	Enterprise Fund:	
		Solid Waste Disposal	1,145,495

Schedule C

Division Of County Audit
Summary Of Fund Deficits Existing in Net Assets
Accounts Of Proprietary Funds (Cont.)

<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Unrestricted</u> <u>Net Assets</u>
14.	<u>White</u>	Enterprise Fund: Solid Waste Disposal	\$ 1,913,751
	Total		<hr/> \$ 33,506,012 <hr/>

Division of County Audit
Explanation of Cash Shortages Disclosed in
Annual Financial Reports
For the Year Ended June 30, 2007

Source: 2006-2007 Annual Financial Reports for the 89 counties
audited by the Division of County Audit

Updated June 17, 2008

1. **Campbell County**

County Clerk's Office

The audit of the office revealed that funds of at least \$3,969 had been stolen by an employee of the office. This theft consisted of (1) \$3,229 which had been stolen by deleting motor vehicle transactions from the office computer system and removing a like amount of collections, and (2) a \$740 shortage in the employee's cash drawer.

In September 2006, the county clerk discovered 23 motor vehicle renewal transactions totaling \$1,357 that an employee had deleted from the office computer system. The clerk restored those collections from his personal funds and reprocessed the deleted transactions which had been inappropriately deleted. The clerk stated that the employee continued to work in the office; however, on October 13, 2006, the clerk found the employee's cash drawer was short \$740. The clerk asked the employee to liquidate the \$740 shortage and not return to work. The employee paid the \$740 on October 16, 2006, and was mailed a letter of employment termination on October 18, 2006.

We expanded our audit procedures in the office to review documentation of the improprieties detected by the clerk and to determine if there were indications of other amounts that had been diverted but not detected. Our audit revealed that several other motor vehicle transactions had been deleted by the former employee; however, the former employee had restored these funds and processed the transactions. These transactions have not been included as part of the cash shortage. Our audit also discovered an additional six motor vehicle transactions totaling \$1,872, that had been deleted by the employee that had not been reprocessed or the funds restored. The county clerk paid the \$1,872 from his personal funds and reprocessed the corresponding transactions.

The district attorney general has taken this case to the grand jury which did not indict the employee.

2. Cocke County

Former Clerk and Master

The audit of Cocke County for the 1996-97 year revealed a cash shortage of \$101,821.73 in the Office of Clerk and Master. The former clerk and master, Charles Chesteen, established unofficial bank accounts that he did not reflect on the office records. Funds that were recorded as having been disbursed from the regular office checking account to several litigants had actually been deposited into the unofficial bank accounts, and records were falsified to indicate that the litigants had received the funds. Also, receipts were not issued for certain collections of the Clerk and Master's Office. These unreceipted funds were deposited to the unofficial bank accounts. Mr. Chesteen then used the funds in the unofficial bank accounts to pay personal expenses.

On May 12, 1999, Mr. Chesteen pled guilty to theft and conversion of office funds. He has since served one year of confinement in the Cocke County Jail and has been placed on 14 years of probation. The surety bond company for the clerk and master paid the office \$50,000 during the 1998-99 year. It should be noted that the trial court ordered Mr. Chesteen to pay restitution of \$101,821.73, and in December 2001 he began making payments to the Office of Clerk and Master. As of June 30, 2007, Mr. Chesteen had made payments of \$8,632 toward restitution. The remaining balance of \$43,190 is reflected as a cash shortage at June 30, 2007.

3. Cumberland County

Ambulance Service

The audit of Cumberland County for the 2005-06 year revealed a cash shortage of \$2,716.80 at the Ambulance Service. We noted several receipts for cash collections that were not deposited to the office bank account or otherwise accounted for. A former secretary has been indicted for theft and the case is currently going through the legal process.

4. Decatur County

School Department Cafeteria Employee

The discretely presented General Purpose School Fund had a remaining cash shortage of \$6,747.96 at June 30, 2007. This cash shortage resulted from a theft (\$21,573.96) at the Parsons Elementary School Cafeteria during the period July 1, 2002, through February 29, 2004. A former bookkeeper has pled guilty to the theft and is currently repaying the shortage.

5. **Dickson County**

Circuit Court Clerk's Office

The audit of Dickson County for the 2005-06 year revealed a cash shortage of \$1,350 in the Office of Circuit Court Clerk. During December 2005, the circuit court clerk informed auditors that the office bank deposit was short \$1,050, and the employee who receipted the collections could offer no explanation; therefore, the clerk replaced the cash shortage with personal funds. On August 28, 2006, the clerk informed auditors that this same employee had altered records and stolen funds an additional \$300 from the office by altering records in the office computer system. The employee was terminated on August 30, 2006. On October 25, 2006, the Grand Jury indicted the employee.

6. **Fayette County**

School Department Employee

The audit of Fayette County for the 2001-02 year revealed a cash shortage of \$16,371. This cash shortage resulted from Rodney Fields, director of the Motivating People and Communities Program, illegally diverting office funds for his personal use.

The district attorney general presented our findings to the Fayette County Grand Jury, which indicted Mr. Fields on charges of theft of property and forgery on July 22, 2002. Subsequently, Mr. Fields pled guilty to these charges and agreed to repay the county \$16,050. However, Mr. Fields died shortly thereafter. The director of schools also filed a claim with the School Department's insurance carrier seeking reimbursement of this shortage from their employee dishonesty bond. The insurance carrier paid \$6,000 on the claim during the 2004-05 year, leaving a remaining cash shortage of \$4,371 on June 30, 2006. This unpaid balance of the cash shortage (\$4,371) was written off by the School Department as uncollectible during the 2006-07 year.

7. **Franklin County**

Juvenile Court Clerk's Office

The audit of Franklin County for the 2005-06 year revealed a cash shortage of \$24,752.30 in the Office of Juvenile Court. This theft occurred during the period November 2004 through May 2006, and was aided by a lack of segregation of duties, the failure to reconcile manually issued receipts to computer generated receipts, and the lack of adequate supervision. Our review concluded that one juvenile court employee listed manually issued receipts and gathered the cash for delivery to the central office to be receipted into the court's computer accounting system. However, this employee did not list all of the manually issued receipts and did not otherwise account for all of the cash received. During the 19-month period there was no supervisory review over this

employee concerning the process and no reconciliation of the manually issued receipts to receipts transported to the central office for processing. Only after the employee was dismissed from employment in May 2006, did the other office staff notice that all of the manually issued receipts had not been reported.

As a result of our review and an investigation by the Tennessee Bureau of Investigation, the juvenile employee in question, Diane McMurray, was indicted for theft of property over \$10,000 by the Franklin County Grand Jury. On September 5, 2007, Ms. McMurray pled guilty to theft and was sentenced to four year of probation and was ordered to pay restitution of \$600 per month.

8. **Gibson County**

Health Department

Internal auditors with the state Health Department investigated allegations of credit card abuse by a state employee at the Gibson County Health Department. This investigation revealed that two Gibson County credit cards were furnished to Katrina Jetton, a state employee working at the department. These credit cards were intended to be used by department personnel to make purchases for local Health Department programs; however, Ms. Jetton made purchases of personal items totaling \$6,991. Ms. Jetton resigned from the state Health Department on March 16, 2006, and repaid the county \$6,991 subsequent to June 30, 2006. Gibson County does have written guidelines regarding the use of credit cards by county employees; however, the county allowed a state employee to use the card and did not reconcile the credit card statements with supporting documentation. Ms. Jetton was tried and found not guilty on theft charges relating to this cash shortage.

9. **Hamblen County**

Sheriff's Office

The audit of Hamblen County for the 2002-03 year revealed a cash shortage of \$14,326.40 in the Sheriff's Office. This cash shortage resulted from commissary funds that were not accounted for (\$12,527.90) and from receipts that were issued from an unofficial receipt book without being accounted for (1,798.50). A former employee was acquitted on criminal charges relating to this cash shortage. County officials are still pursuing options for the collection of this shortage.

10. Hamblen County

County Clerk's Office

A special review performed by the previous auditor for Hamblen County during the 2001-02 year revealed a cash shortage of \$41,379.85 in the Office of County Clerk. A claim was filed with the county's insurance carrier, and the county received \$26,799.43 leaving a remaining shortage of \$14,580.42 at June 30, 2005. During the 2005-06 year, a former employee of the office entered into a pretrial diversion arrangement related to charges stemming from this cash shortage and has agreed to pay restitution to the office totaling \$15,000. At June 30, 2007, the former employee had made payments of \$10,762 toward restitution. The remaining balance of \$4,238 is reflected as a cash shortage at June 30, 2007.

11. Hardeman County

Solid Waste Department

The Solid Waste Disposal Fund had a cash shortage of \$21,731.29. Our audit revealed the following circumstances surrounding the cash shortage:

A. **THREE INDIVIDUALS CONSPIRED TO STEAL COUNTY FUNDS RESULTING IN A CASH SHORTAGE OF \$20,902.50**

We determined that the county's solid waste director and two vendors conspired to submit fictitious invoices to the county resulting in a cash shortage of \$19,652.50 at June 30, 2006. An additional fictitious invoice for \$1,250 was paid on July 7, 2006, increasing the cash shortage to \$20,902.50.

Our review of invoices used to support disbursements from the Solid Waste Disposal Fund indicated that an unusual amount of mulch had been purchased. Landfill personnel advised that the amount of mulch the county had paid for was in excess of what had been delivered. As a result, we examined all payments from the Solid Waste Disposal Fund to vendors and discovered questionable payments had also been made for certain repair work performed at the landfill. We reviewed these matters with the district attorney general, who later requested an investigation by the Tennessee Bureau of Investigation (TBI). The TBI investigation revealed that Steve Robinson, the county's solid waste director, and two vendors had conspired to illegally obtain county funds for personal use by submitting fictitious invoices to the county. County warrants issued to pay for these fictitious invoices were then cashed or deposited and subsequently divided between the solid waste director and the individuals.

Eleven fictitious invoices totaling \$12,180 from Professional Lawn and Landscape, a company owned by Kenneth Collins, were submitted to the county for payment. These invoices indicated that materials and services had been provided for the operation of the Solid Waste Disposal Fund, when in fact, nothing was provided. In

addition, Mr. Collins created a fictitious company, K & C Maintenance Services, and invoiced the county six times totaling \$3,645 for repair work that was never performed.

Jack's Lawn Service and Nursery, owned by Jack McKeen, submitted three invoices totaling \$5,077.50 to the county for mulch, grass seed, and fertilizer that were never received by the county.

Fictitious invoices paid by the county to Professional Lawn and Landscape, K & C Maintenance Services, and Jack's Lawn Service & Nursery totaled \$20,902.50.

B. CASH COLLECTIONS TOTALING \$828.79 WERE NOT DEPOSITED TO THE SOLID WASTE DISPOSAL FUND RESULTING IN A CASH SHORTAGE

The solid waste director took collections receipted at the landfill office and carried them to the solid waste office where the collections were then summarized, assigned a revenue account number, and deposited with the county trustee. However, collections totaling \$828.79 had not been deposited to the Solid Waste Disposal Fund or accounted for in any manner.

This shortage has been reviewed with the district attorney general. This cash shortage was liquidated during the 2006-07 year.

12. Henry County

Sheriff's Department

The audit of Henry County for the 2005-06 year revealed a cash shortage of \$162,658 in the Sheriff's Department. This cash shortage consisted of purchases of numerous items that had no apparent use or benefit to the Sheriff's Department, instances of collusion, falsified invoices, and purchases of items for personal use.

On November 20, 2006, David Bumpus, Henry County Sheriff, Faye Scott, business manager for the Henry County Sheriff's Department, and Jason Ferren, former owner of Elite Firearms, were indicted by a federal grand jury on conspiracy, mail fraud, theft from organization receiving federal funds. Mr. Bumpus and Mr. Ferren were also indicted for false entries by a licensed dealer of a firearm record. Subsequent to June 30, 2007, Mr. Bumpus, Ms. Scott, and Mr. Ferren all pled guilty to various charges and have received various sentences and fines. The three defendants have also been ordered to pay restitution of \$71,512. This amount is net of estimated auction proceeds of items recovered from Mr. Bumpus.

13. Hickman County

Emergency Communications District

A special investigation by our office of the Hickman County Emergency Communications District during the 2005-06 year revealed a cash shortage of at least \$11,773.06. Records of the district were so poorly maintained that the cash shortage could exceed the amount noted; however, we were unable to make a determination on the validity of numerous transactions. The cash shortage is summarized in the following table:

Address Coordinator:

Unauthorized reimbursements	\$ 1,858.24
Unsupported travel advances	6,291.61
Personal purchases	731.61
Airfare and conference registration - spouse/relative	1,028.10
Board members and district employees:	
Airfare and conference registration - spouses/relatives	<u>1,863.50</u>
Total Cash Shortage	<u>\$ 11,773.06</u>

On September 26, 2007, Darlene Field, the former address coordinator, pled guilty to theft and was placed on probation for a period of two years and ordered to pay restitution of \$7,500.

14. Houston County

County Executive's Office

During the 2001-02 year, we reported that the General Fund and the Solid Waste/Sanitation Fund had cash shortages of \$1,079.50 and \$7,157.62, respectively. During the 2002-03 year, the General Fund incurred an additional cash shortage of \$2,053.24, bringing the total cash shortage in the General Fund to \$3,132.74, and the total cash shortage in both funds to \$10,290.36. These cash shortages resulted from fraudulent travel claims (\$1,379.50), payments to individuals for work not performed (\$4,710), improper payments to employees (\$2,147.62), payroll overpayments (\$1,350), and payments to employees that exceeded amounts authorized by the personnel policy (\$703.24). On August 7, 2002, the former county executive and a former employee deposited \$1,500 and \$710, respectively, reducing the cash shortage to \$8,080.36. The details of the cash shortage are presented in the Houston County Comprehensive Annual Financial Report for the year ended June 30, 2002.

During the 2002-03 year the Houston County Grand Jury indicted the former county executive, Jim Smith, and a former county employee, Chuck Doyle, Jr., on charges of

theft, a Class E felony. The grand jury also indicted Theresa Pulley, a former employee in the County Executive’s Office, on charges of official misconduct, a Class E felony. Each defendant entered into a memorandum of understanding with the District Attorney General’s Office. Details of these agreements and an explanation of the status of the \$8,080.36 cash shortage at June 30, 2003, are discussed below:

- A. On September 11, 2003, the former county executive, Jim Smith, and former county employees Chuck Doyle, Jr., and Theresa Pulley each signed a Memorandum of Understanding pursuant to Section 40-15-105, Tennessee Code Annotated. By signing the memoranda, they agreed that their cases would be suspended for a period of time on the stipulation that they would meet several conditions. One of the conditions was that Mr. Smith would repay Houston County \$10,425 for the cost of the audit. He met this requirement by depositing \$10,425 with the county trustee from personal funds on September 30, 2003. However, the court did not order Mr. Smith to repay his portion of the cash shortage (\$507.90). As of July 23, 2007, this portion of the cash shortage remained unpaid.
- B. Chuck Doyle, Jr., agreed in his memorandum to make restitution of his portion of the cash shortage (\$3,797.42) to Houston County and subsequently liquidated his portion of the cash shortage.
- C. Theresa Pulley agreed in her memorandum to make restitution of her portion of the cash shortage (\$803.44) to Houston County and subsequently liquidated her portion of the cash shortage.
- D. The remaining cash shortages at June 30, 2006, are as follows:

1. Jim Smith	\$ 507.90
2. Ann Morrison	73.60
3. Joy Lowe	100.00
4. Lori Schmidt	198.00
5. Freddie Lyle	2,500.00
6. Clarence Marable	100.00
Total	<u>\$ 3,479.50</u>

The district attorney general did present Freddie Lyle’s cash shortage to the Houston County Grand Jury; however, the grand jury did not return an indictment. The district attorney did not present the other remaining shortages to the grand jury. The current county mayor filed a claim with their insurance carrier seeking reimbursement of this shortage from their employee dishonesty policy. However, the insurance company has denied this claim. The remaining cash shortage of \$3,479.50 was written of as uncollectible by the county during the 2006-07 year.

15. Maury County

School Department

On February 5, 2008, the food service supervisor received an allegation that a cafeteria employee was not recording some a la carte sales at the Central High School cafeteria. The food service supervisor requested an investigation by the Maury County Sheriff's Department. On February 28, 2008, the employee pled guilty to one count of theft under \$500. The employee was ordered to pay the Maury County Board of Education restitution totaling \$501, and her employment was subsequently terminated.

16. McNairy County

Sheriff's Department

In July 2007, the sheriff advised us of two separate instances involving missing cash bond collections. Both instances were reported to the District Attorney General's Office and investigated by the Sheriff's Department. The investigation revealed that in December 2006, a jailor received \$234.23 for a cash bond, and in April 2007, a different jailor received \$801.23 for a cash bond. The collections received by the jailors were placed in an unsecured location. In both instances, the monies could not to be located when the jailors were asked to make an accounting for their collections. On October 26, 2007, the sheriff deposited \$1,035.46 in personal funds to the office bank account to liquidate the cash shortage.

17. Morgan County

County Clerk's Office

The annual financial report of Morgan County for the year ended June 30, 2006, revealed a cash shortage of \$14,755.93. The former county clerk, Tim Steelman, liquidated the cash shortage on September 7, 2006, by depositing personal funds totaling \$14,755.93 to the office bank account. The clerk resigned from office on December 31, 2006, and subsequently pleaded guilty to theft charges related to this cash shortage. As a part of his plea bargain agreement, he has agreed to repay the costs of our audit (\$4,309) and a fine of \$3,000.

18. Pickett County

County Executive's Office

The landfill office had a cash shortage of \$2,077 at June 30, 2007. This cash shortage resulted from the following:

During the period July 1, 2006, through October 27, 2006, the landfill office deposited its collections directly with the county trustee. Effective October 30, 2006, the landfill office began depositing its collections into a bank clearing account maintained by the County Executive's Office. In January 2007, the County Executive's Office contacted our office because they could not reconcile the receipts issued by the landfill office with the bank deposits. We examined their bank reconciliations and discovered that receipts issued by the landfill office exceeded bank deposits by \$734. We then reconciled receipts issued by the landfill office with deposits made directly with the county trustee and discovered that receipts issued by the landfill office exceeded deposits with the county trustee by \$1,146. The failure to deposit or otherwise account for collections resulted in a cash shortage of \$1,880. The bookkeeper at the landfill office left employment in March 2007.

In addition, On March 8, 2007, county officials discovered what appeared to be a burglary at the landfill office. Cash totaling \$197 and a check for \$2,100 from the sale of cardboard were missing. The Sheriff's Department investigated the burglary; however, the cash was not recovered. The stolen check for cardboard was reissued to the county by the cardboard recycler.

Therefore, the \$1,880 cash shortage noted above plus the \$197 theft brings the total cash shortage to \$2,077 at June 30, 2007. We have discussed this shortage with county officials and the district attorney general.

19. **Sequatchie County**

Sheriff's Department

The Sheriff's Office had a cash shortage of \$8,669 in its commissary operation on June 30, 2007. This cash shortage resulted from commissary receipts not being deposited to the official bank account or otherwise accounted for. This shortage has been reviewed with the district attorney general and county officials. The Tennessee Bureau of Investigation (TBI) is currently conducting an investigation.

20. **Sevier County**

County Clerk Employee

Sevier County's audit for the 2002-03 year revealed a cash shortage of \$16,835.93 in the Office of County Clerk. This shortage resulted from improprieties involving automobile license renewals transactions that were processed by an employee at the office's drive-through location. During the 2004-05 year, this former employee entered into a plea agreement to charges of theft and agreed to make monthly payments toward the shortage until it is liquidated. As of June 30, 2007, \$6,596.50 had been paid toward the shortage leaving an unpaid balance of \$10,239.43 at June 30, 2007.

21. Sevier County

General Sessions Court Clerk Employee

As of June 30, 2005, the Office of General Sessions Court Clerk had a cash shortage of \$16,643.47. This cash shortage resulted from office personnel's failure to deposit or otherwise account for certain receipts and other deposit items that were not receipted. Therefore, it appears that these deposit items were substituted for receipts that had been properly written but not deposited. An office employee was terminated because of these improprieties. County officials, the District Attorney General's Office, and the Tennessee Bureau of Investigation have been informed about this matter. The Sevier County Grand Jury has indicted the former employee for theft involving this cash shortage and the case is awaiting trial.

22. Sumner County

School Department

During October 2005, food service personnel observed that the Hendersonville High School cafeteria had collections for six days in September 2005 totaling \$7,121.85, were not deposited or otherwise accounted. School Department personnel did not inform auditors of the cash shortage until April 2006. We have notified the District Attorney and the TBI of this shortage. The TBI has investigated the shortage but was unable to determine who took the money due to poor internal controls over the cash collections at the school. This cash shortage was written off by the School Department as during the 2006-07 year since the TBI investigation was inconclusive and the insurance deductible exceed the cash shortage amount.

23. Sumner County

School Department

In October 2007, food service personnel observed that collections totaling \$2,022.70 for September 4, 2007, at the Station Camp High School Cafeteria were not deposited into the bank account or otherwise accounted for. We have discussed this shortage with the district attorney general.

24. Unicoi County

General Sessions Court Clerk's Office

During the 2005-06 year we reported a cash shortage of \$21,431 in the Office of General Sessions Court Clerk. Audit procedures performed for the period from December 6, 2006, through June 30, 2007, revealed an additional cash shortage of \$791, bringing the total cash shortage to \$22,222 as of June 30, 2007. The majority of

this shortage consisted of checks and money orders that had been deposited to the official bank account but had not been receipted. Therefore, these checks had been substituted for cash that had been receipted by the clerk's office.

The cash shortage and other irregularities have been reviewed with the former and current the circuit and general sessions courts clerk, the district attorney general, the Tennessee Bureau of Investigation, the Circuit and General Sessions Judges, and the county mayor.

25. Union County

County Clerk's Office

In the audit of Union County for 2005-06 year, we reported that a theft of \$5,902.58 occurred in the Office of General Sessions Court Clerk on August 28, 2006. The clerk reported the theft to the Sheriff's Department which investigated the theft. During the 2006-07 year, that investigation resulted in an individual (not an employee of the office) pleading guilty to one count of theft in excess of \$1,000. The funds were restored by insurance coverage (\$4,435.74), by customers stopping payment and reissuing their checks (\$966.84), and by the insurance deductible paid personally by the general sessions court clerk (\$500).

26. Van Buren County

County Mayor's Office

The audit of Van Buren County for the 2005-06 year, disclosed a cash shortage of at least \$7,428.26 at January 25, 2007. We reported that the former mayor's administrative assistant had used a county credit card for personal purchases, and that the credit card company was now demanding payment from the county for the outstanding balance. At June 30, 2007, the outstanding balance on the account including accrued interest was \$8,470.71.

On August 29, 2007, the county paid the credit card balance of \$8,499.71.

The former administrative assistant was indicted by the Van Buren County grand jury on May 21, 2007, on three counts of official misconduct and one count of theft over \$1,000. This case is pending judicial action.

27. Williamson County

Recreational Department

The audit of Williamson County for the 2005-06 year, disclosed a cash shortage of at least \$45,037.43 on June 30, 2006, at the Fairview Recreational Center. This cash shortage resulted from collections that were not deposited or otherwise accounted for. On September 10, 2007, a former supervisor at the Fairview Recreational Center was indicted by the Williamson County Grand Jury for theft in excess of \$10,000. The case is currently pending.

28. Williamson County

District Attorney General's Office

The Office of District Attorney General had a cash shortage of \$3,928 on July 17, 2007. On July 13, 2007, the Office of District Attorney General notified us that their office had requested the Tennessee Bureau of Investigation (TBI) to initiate an investigation of a suspected theft of district attorney general funds, which are maintained in the Williamson County Trustee's Office. The TBI examined travel reimbursement documentation on file for the District Attorney General's Office for the period February 2007 through July 2007, and determined that an employee of the District Attorney General's Office had submitted 18 fraudulent travel claims and/or letters requesting reimbursement. Irregularities noted include: (1) the signature of the district attorney general or other authorizing agent in the office had been forged on the travel claims and/or reimbursement letters, (2) the fraudulent travel claims and/or reimbursement letters had not been submitted to the District Attorney General's Office for supervisory review, (3) personnel in the Williamson County Trustee's Office advised that on several occasions checks were issued to this employee prior to documentation being filed, and (4) the travel claims reflected requests for reimbursements for the same day on 37 separate occasions. Due to these fraudulent travel claims and/or reimbursement letters, the county's financial statements reflected a cash shortage of \$3,438 in the District Attorney General Fund on June 30, 2007. Fraudulent travel claims and letters requesting reimbursement in July 2007 totaled \$490, bringing the total cash shortage to \$3,928. On July 17, 2007, the employee admitted to falsifying travel claims and letters requesting reimbursement, and his employment was terminated. During October 2007, the employee pled guilty to one charge of theft of property under \$500 and one charge of falsifying government records. The employee also paid a reduced amount of restitution totaling \$3,630.

29. Williamson County

Library Department

On October 9, 2007, the director of accounts and budgets notified us about the theft of library collections totaling \$266. Williamson County has six branch libraries, with the main branch located in Franklin. The five outlying branches place their collections in envelopes, and periodically transport the envelopes to the main branch by a courier service. Various employees at the main branch receive the envelopes from the courier service and place the envelopes in unsecured mail boxes located near the door entrance. The bookkeeper at the main branch retrieves the envelopes containing cash from the mail boxes, records the transactions, and deposits the collections to the bank. On October 4, 2007, library collections from two branch offices were delivered to the main branch. On October 5, 2007, library employees discovered that collections totaling \$266 had been stolen. The library director performed an internal investigation, filed a police report, and communicated the theft to county officials.

We have discussed this shortage with county officials and the district attorney general.

30. Williamson County

County Clerk's Office

The Office of County Clerk had a theft of \$50. On November 19, 2007, a man entered an unlocked exterior door used by employees of the County Clerk's Office. This rear door provides access to records of the office and the vault. This man was observed loitering in the office's unlocked vault. When an employee noticed the man in the vault, he was escorted out of the office. Subsequently, an inventory of the vault revealed that \$50 was missing from an employee's cash drawer. The clerk requested an investigation by the Williamson County Sheriff's Department and contacted auditors. The case is still under investigation.

We have discussed this shortage with county officials and the district attorney general.

The following cash shortages occurred subsequent to June 30, 2007, but are included in the county's 2006-07 year's Audit Report.

1. Jackson County

Sheriff's Department

The Sheriff's Department had a cash shortage of \$1,866 on December 7, 2007. This shortage was the result of not properly accounting for funds received from the County Mayor's Office for confidential undercover drug operations. At July 1, 2006, the Sheriff's Department had confidential drug funds on hand of \$688. Between July 1, 2006, and December 7, 2007, the department received an additional \$2,500 from the county's Drug Control Fund. On December 7, 2007, we counted cash on hand totaling \$595 plus the Sheriff's Department provided us with some documentation for confidential expenditures of \$727. However, the office was unable to document the use of \$1,866 in confidential funds resulting in the cash shortage. We have reviewed this cash shortage with county officials and the district attorney general.

2. Scott County

General Sessions Court Employee

The Office of General Sessions Court Clerk had a cash shortage of 17,234.24. The clerk notified our office and the district attorney general of missing bank deposits. We subsequently discovered that bank deposits of \$13,150.61 and \$4,308.63 were recorded on the general ledger for November 30, 2007, and December 6, 2007, respectively; however, these deposits were never taken to the bank. We questioned the employee who was responsible for taking deposits to the bank, and she admitted that the above-noted deposits were not taken to the bank but had been diverted for her personal use. She advised us that the checks and the remaining cash from the two deposits were at her home. The employee went to her home and returned with checks and cash totaling \$13,134.99. A further examination of the records revealed that the general ledger had posting errors totaling \$225, which resulted in the two recorded deposits actually totaling \$17,234.24 instead of the recorded \$17,459.24. This left \$4,099.25 unaccounted for as of January 17, 2008, after taking into account the checks and cash (\$13,134.99) that were returned and the posting errors totaling \$225. This employee resigned on January 17, 2008. On January 18, 2008, the employee provided \$4,342.06 to liquidate the remainder of the cash shortage; however, this repayment exceeded the amount necessary to liquidate the shortage by \$242.81.

We discussed this shortage the general sessions court clerk, district attorney general, and the county mayor. Subsequently, the individual entered into an agreement with the district attorney general for judicial diversion related to charges of theft greater than \$1,000 in connection with this cash shortage.

3. Sevier County

County Executive's Office

Subsequent to June 30, 2007, officials determined that an employee of the Maintenance Department charged two purchases totaling \$741 that appeared to be for personal use to the county's account. These two purchases were made without a purchase order and without any documentation that approved overriding the purchase order system. The invoices had been initialed as approved for payment by the maintenance supervisor and were paid by the Accounting Department. After county officials questioned the employee about the two purchases, the employee reimbursed the county \$741. This employee no longer works for Sevier County. We have discussed this shortage with county officials and the district attorney general.

Division of County Audit
Explanation of Net Assets Deficits and Fund Deficits
Disclosed in Annual Financial Reports
For the Year Ended June 30, 2007

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
1. <u>Anderson</u>		
Flexible Benefits (Fiduciary)	\$ 14,656	
General Capital Projects Education Capital Projects (Capital Projects)		\$ 190,806 7,917

The net assets deficit in the Flexible Benefits Fund resulted from plan payments exceeding payroll deductions. This deficit should be liquidated subsequent to June 30, 2007, as additional payroll deductions are received.

The fund deficits in the General Capital Projects and Education Capital Projects funds resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate these deficits subsequent to June 30, 2007, through a transfer from the county's General Fund to the General Capital Projects Fund and the issuance of other loans for the Education Capital Projects Fund.

2. Benton

Other Capital Projects (Capital Projects)		446,439
Public Utility (Enterprise)	615,834	

The fund deficit in the Other Capital Projects Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of grant proceeds.

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
<p>The net assets deficit in the Public Utility Fund resulted primarily from the recognition of liabilities. Management intends to liquidate this deficit subsequent to June 30, 2007, by adjusting their rate structure.</p>		
3. <u>Blount</u>		
<p>Other Capital Projects (Capital Projects)</p>		\$ 27,366,666
<p>This fund deficit resulted from the recognition of liabilities and outstanding commitments on construction contracts. This deficit should be liquidated subsequent to June 30, 2007, as additional loans are received.</p>		
4. <u>Campbell</u>		
<p>Other Capital Projects (Capital Projects)</p>		5,299,500
<p>This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of other loans.</p>		
5. <u>Carter</u>		
<p>General Capital Projects (Capital Projects)</p>		22,014
<p>This fund deficit resulted from expenditures exceeding available funding and the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2007, through the issuance of loans.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
6. <u>Cheatham</u>		
Education Capital Projects (Capital Projects)		\$ 49,196
<p>This fund deficit resulted primarily from the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2007, through the issuance of debt.</p>		
7. <u>Claiborne</u>		
Highway Capital Projects		146,478
General Capital Projects (Capital Projects)		1,415
<p>These fund deficits resulted from liabilities exceeding available funding. Management intends to liquidate these deficits subsequent to June 30, 2007, through the receipt of loans.</p>		
8. <u>Cocke</u>		
General Capital Projects (Capital Projects)		301,361
<p>This fund deficit resulted from the recognition of liabilities and the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of state grants.</p>		
9. <u>Cumberland</u>		
Cumberland County Rail Authority (General)		551,367
Solid Waste Disposal (Enterprise)	\$ 1,462,535	

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
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The fund deficit in the General Fund of the Cumberland County Rail Authority resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of state grants.

This net assets deficit in the Solid Waste Disposal Fund resulted from the recognition of a liability for landfill closure and postclosure care costs. The county intends to liquidate this deficit in future years through the issuance of debt and interfund transfers.

10. Davidson

Nashville Career Advancement Center Regulation and Inspection Service	\$ 157,163
(Special Revenue)	181,734

GSD Capital Projects	94,966,769
Education Capital Projects	31,236,867
USD Capital Projects	13,470,231
(Capital Projects)	

General Hospital	\$ 14,944,653
Surplus Property Auction	308,976
Police Impound	2,243,813
(Enterprise)	

Injured on Duty	358,298
Treasury Management	6,793
General Services	2,393,724
(Internal Service)	

Note: Davidson County is not audited by the Division of County Audit. An explanation of the cause of these deficits was not provided in the county's audit report.

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
11. <u>Fayette</u>		
General Capital Projects (Capital Projects)		\$ 2,423,011
<p>This fund deficit resulted from expenditures exceeding available funds and the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2007, through the issuance of debt.</p>		
12. <u>Grainger</u>		
Solid Waste/Sanitation		1,047
School Federal Projects (Special Revenue)		1,012
Education Capital Projects (Capital Projects)		991,612
<p>The fund deficits in the Solid Waste/Sanitation Fund and the School Federal Projects Fund resulted from the recognition of liabilities and were liquidated subsequent to June 30, 2007, through the receipt of local funds.</p> <p>The fund deficit in the Education Capital Projects Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through a transfer from General Purpose School Fund and the issuance of bonds.</p>		
13. <u>Hamblen</u>		
Employee Benefit Trust (Fiduciary)	\$ 1,408	
General Capital Projects (Capital Projects)		17,964

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
<p>The net assets deficit in the Employee Benefits Trust Fund resulted from expenditures exceeding available funds. This deficit was liquidated subsequent to June 30, 2007, through the receipt of additional payroll deductions.</p>		
<p>The fund deficit in the General Capital Projects Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through transfers from other funds.</p>		
14. <u>Hamilton</u>		
<p>General Capital Projects (Capital Projects)</p>		\$ 104,202,005
<p>Note: Hamilton County is not audited by the Division of County Audit. An explanation of the cause of this deficit was not provided in the county's audit report.</p>		
15. <u>Hancock</u>		
<p>General (General)</p>		53,376
<p>This fund deficit resulted from expenditures exceeding available funds. Management plans to liquidate this deficit subsequent to June 30, 2007, through the receipt of local funding.</p>		
16. <u>Hardeman</u>		
<p>Solid Waste Disposal (Enterprise)</p>	\$ 2,181,290	
<p>This net assets deficit resulted from the recognition of a liability for closure/postclosure care costs. Management intends to liquidate this deficit subsequent to June 30, 2007, through the issuance of debt and local funding.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
17. <u>Hardin</u>		
Park Rest – Hardin County Health Center (Enterprise)	\$ 554,501	
General Capital Projects (Capital Projects)		\$ 2,011,722
School Federal Projects (Special Revenue)		10,528
<p>The net assets deficit in the Park Rest – Hardin County Health Services Fund resulted from losses in past years. Management intends to liquidate this deficit subsequent to June 30, 2007, from fees and charges.</p> <p>The fund deficit in the General Capital Projects Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through the issuance of debt.</p> <p>The fund deficit in the School Federal Projects Fund resulted from grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received.</p>		
18. <u>Hawkins</u>		
General Capital Projects		207,007
Community Development/Industrial Park (Capital Projects)		29,730
School Federal Projects (Special Revenue)		36,656

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
<p>The fund deficits in the General Capital Projects Fund and the Community Development/Industrial Park Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate these deficits subsequent to June 30, 2007, from loans in the General Capital Projects Fund and from state grants and contributions in the Community Development /Industrial Park Fund.</p>		
<p>The fund deficit in the School Federal Projects Fund resulted from the recognition of encumbrances and grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received.</p>		
19. <u>Haywood</u>		
<p>Solid Waste Disposal (Enterprise)</p>	\$ 1,361,025	
<p>Community Development/Industrial Park (Capital Projects)</p>		\$ 27,917

The unrestricted net assets deficit in the Solid Waste Disposal Fund resulted from the recognition of liabilities relating to the closure of the landfill and the recognition of the postclosure care costs for the landfill. Management has not developed a plan to liquidate this deficit.

The fund deficit in the Community Development/Industrial Park Fund resulted from the recognition of unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, as additional grant proceeds are received.

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
20. <u>Hickman</u>		
General Capital Projects (Capital Projects)		\$ 489,314
<p>This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, from the issuance of debt.</p>		
21. <u>Houston</u>		
Other Capital Projects (Capital Projects)		76,233
<p>This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, as additional grant proceeds are received.</p>		
22. <u>Humphreys</u>		
General Capital Projects (Capital Projects)		45,358
<p>This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. This deficit was liquidated subsequent to June 30, 2007, through the issuance of bonds.</p>		
23. <u>Jefferson</u>		
Solid Waste Disposal (Enterprise)	\$ 1,668,950	
Education Capital Projects (Capital Projects)		3,047,502
School Federal Projects (Special Revenue)		1,464

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
<p>The net assets deficit in the Solid Waste Disposal Fund resulted from the recognition of a liability for closure and postclosure care costs of the landfill. Management hopes to liquidate this deficit in future years from solid waste disposal fees.</p>		
<p>The fund deficit in the Educational Capital Projects Fund resulted from the recognition of the unperformed portion of contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2007, through the issuance of debt.</p>		
<p>The fund deficit in the School Federal Projects Fund resulted from grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received.</p>		
24. <u>Johnson</u>		
<p>Other Capital Projects (Capital Projects)</p>		\$ 43,438
<p>This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of local and state revenues.</p>		
25. <u>Knox</u>		
<p>Public Improvement (Capital Projects)</p>		9,257,333
<p>School Federal Projects (Special Revenue)</p>		207,920
<p>Vehicle Service Center (Enterprise)</p>	\$ 12,490	
<p>Note: Knox County is not audited by the Division of County Audit. An explanation of the cause of these deficits was not provided in the county's audit report.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
26. <u>Lake</u>		
Solid Waste/Sanitation (Special Revenue)		\$ 20,154
<p>This fund deficit resulted from the county's use of capital outlay note proceeds restricted for capital outlay purposes to fund operating costs. Management intends to liquidate this deficit subsequent to June 30, 2007, as additional revenues are received.</p>		
27. <u>Macon</u>		
School Federal Projects (Special Revenue)		3,834
<p>This fund deficit resulted from grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received.</p>		
28. <u>Madison</u>		
School Federal Projects (Special Revenue)		674,126
<p>This fund deficit resulted from grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received.</p>		
29. <u>McMinn</u>		
School Federal Projects (Special Revenue)		20,423
<p>McMinn County is audited by a contracted audit firm rather than the Division of County Audit. An explanation of the cause of this deficit was not provided in the audit report.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
30. <u>Meigs</u>		
Solid Waste/Sanitation (Special Revenue)		\$ 1,632
<p>This fund deficit resulted from expenditures exceeding available funding. This deficit was liquidated subsequent to June 30, 2007, by a transfer from the county's General Fund.</p>		
31. <u>Montgomery</u>		
Workers' Compensation (Internal Service))	\$ 824,151	
<p>This net assets deficit resulted from the county not contributing self-insurance premiums to the fund during the year. Management intends to liquidate this deficit subsequent to June 30, 2007, by transferring the needed premiums to the fund.</p>		
32. <u>Obion</u>		
School Federal Projects (Special Revenue)		50,517
<p>This fund deficit resulted from grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received.</p>		
33. <u>Putnam</u>		
Industrial/Economic Development		3,089,807
School Federal Projects (Special Revenue)		35,954
<p>The fund deficit in the Industrial/Economic Development Fund resulted from the recognition of a long term liability of \$4,444,444 due to the county's General Debt Service Fund for an interfund loan to purchase of land. Management intends to liquidate this deficit subsequent to June 30, 2007, through the receipt of property tax revenues and note proceeds from the City of Cookeville.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
<p>The fund deficit in the School Federal Projects Fund resulted from expenditures exceeding available funding. This deficit was liquidated subsequent to June 30, 2007, when grant revenues were received.</p>		
34. <u>Rhea</u>		
<p>General Debt Service (Debt Service)</p>		\$ 201,061
<p>Community Development/Industrial Park Education Capital Projects (Capital Projects)</p>		26,751 95,066
<p>The fund deficit in the General Debt Service Fund resulted from the recognition of a long term liability of \$564,443 due to the county's Education Capital Projects Fund for an interfund capital outlay note. Management intends to liquidate this deficit subsequent to June 30, 2007, through the receipt of property tax revenues.</p>		
<p>The fund deficits in the Community Development/Industrial Park Fund and the Education Capital Projects Fund resulted from the unperformed portion of a construction contracts being reserved as encumbrances. The deficit in the Community Development/Industrial Park Fund was liquidated subsequent to June 30, 2007, through the receipt of a grant. The deficit in the Education Capital Projects Fund was liquidated subsequent to June 30, 2007, through the receipt of other loans.</p>		
35. <u>Robertson</u>		
<p>School Federal Projects (Special Revenue)</p>		2,531
<p>This fund deficit resulted from grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
36. <u>Rutherford</u>		
Workers' Compensation Self-Insurance (Internal Service)	\$ 414,675 328,193	
<p>These net assets deficit resulted from claims and estimates exceeding contributions. Management intends to liquidate these deficits subsequent to June 30, 2007, from transfers from the General Fund and the General Purpose School Fund.</p>		
37. <u>Scott</u>		
General Capital Projects Community Development/Industrial Park Other Capital Projects (Capital Projects)		\$ 3,899,894 1,429,402 1,396,945
Public Utility Solid Waste Disposal (Enterprise)	197,505 529,211	

The fund deficit in the General Capital Projects Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances and the recognition of current liabilities. Management intends to liquidate this deficit subsequent to June 30, 2007, through the receipt of previously authorized loans.

The fund deficit in the Community Development/Industrial Park Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances and the recognition of current liabilities. Management intends to liquidate this deficit subsequent to June 30, 2007, through the receipt of grants and the issuance of debt.

The fund deficit in the Other Capital Projects Fund resulted from the recognition of a liability for expenditures related to a construction contract that will be partially funded by the Town of Oneida. Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of funding from the Town of Oneida, the issuance of bonds, and the receipt of grant proceeds.

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
<p>The net assets deficit in the Public Utility Fund primarily resulted from the recognition of current liabilities that exceeded available funds. Management intends to make adjustments to their operations and rate structure to liquidate this deficit from future revenues.</p>		
<p>The net assets deficit in the Solid Waste Disposal Fund primarily resulted from the recognition of a liability for closure and postclosure care cost of the landfill. The county intends to liquidate this deficit in future years through contracts with private businesses, debt issuance, and interfund transfers.</p>		
38. <u>Sequatchie</u>		
<p>Education Capital Projects (Capital Projects)</p>		\$ 339,569
<p>This fund deficit resulted from recognition of the unperformed portion of construction contracts being reserved as encumbrances. This deficit is expected to be liquidated subsequent to June 30, 2007, through interfund transfers and the issuance of debt.</p>		
39. <u>Sevier</u>		
<p>General Capital Projects (Capital Projects)</p>		2,220,213
<p>This fund deficit resulted from recognition of the unperformed portion of construction contracts being reserved as encumbrances. This deficit is expected to be liquidated subsequent to June 30, 2007, through the issuance of other loans.</p>		
40. <u>Shelby</u>		
<p>Agriculture International (Enterprise)</p>	\$ 40,149	
<p>Note: Shelby County is not audited by the Division of County Audit. An explanation of the cause of this deficit was not provided in the county’s audit report.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets</u> <u>Deficit</u>	<u>Fund</u> <u>Deficit</u>
41. <u>Smith</u>		
Courthouse and Jail Maintenance		\$ 17,987
Solid Waste/Sanitation		11,350
(Special Revenue)		
Other Capital Projects		260,696
Education Capital Projects		1,223,712
(Capital Projects)		
Solid Waste Disposal	\$ 1,145,495	
(Enterprise)		

The fund deficit in the Courthouse and Jail Maintenance Fund resulted from expenditures exceeding available funding. Management intends to liquidate this deficit subsequent to June 30, 2007, through the receipt of additional litigation tax revenues.

The fund deficit in the Solid Waste/Sanitation Fund resulted from expenditures exceeding available funding. Management intends to liquidate this deficit subsequent to June 30, 2007, through an operating transfer from the county's Solid Waste Disposal Fund.

The fund deficit in the Other Capital Projects Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances and the recognition of liabilities. Management intends to liquidate this deficit subsequent to June 30, 2007, through the receipt of loans.

The fund deficit in the Education Capital Projects Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2007, through an operating transfer from the General Purpose School Fund.

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
<p>The net assets deficit in the Solid Waste Disposal Fund primarily resulted from the recognition of a liability for closure and postclosure care cost of the landfill. The county intends to liquidate this deficit in future years through debt issuance and interfund transfers.</p>		
42. <u>Stewart</u>		
<p>Highway Capital Projects (Capital Projects)</p>		\$ 27,119
<p>School Federal Projects (Special Revenue)</p>		8,871
<p>The fund deficit in the Highway Capital Projects Fund resulted from recognition of a long-term interfund loan payable to the General Debt Service Fund. Management intends to liquidate this deficit subsequent to June 30, 2007, through an additional tax levy for property within the Eagles Rest Road Special Tax District.</p>		
<p>The fund deficit in the School Federal Projects Fund resulted from grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received</p>		
43. <u>Trousdale</u>		
<p>School Federal Projects (Special Revenue)</p>		10,662
<p>This fund deficit resulted from grant reimbursements that were not requested in a timely manner. This deficit was liquidated subsequent to June 30, 2007, when these grant revenues were received.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
44. <u>Unicoi</u>		
Community Development/Industrial Park (Capital Projects)		\$ 41,888
This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of a federal grant.		
45. <u>Weakley</u>		
Community Development/Industrial Park (Capital Projects)		339,080
This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of a state grant and contributions from industrial tenants.		
46. <u>White</u>		
Solid Waste Disposal (Enterprise)	\$ 1,913,751	
This deficit resulted from the recognition of current liabilities for operating costs and the recognition of a liability for closure and postclosure care costs of the landfill. Management intends to liquidate this deficit in future years from solid waste disposal fees, debt, and interfund transfers.		
47. <u>Wilson</u>		
Judicial and Safety Projects (Capital Projects)		4,994
This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2007, through the receipt of local funding.		