



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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August 24, 2007

MEMORANDUM

TO: Honorable John G. Morgan
Comptroller of the Treasury

FROM: Richard V. Norment 
Assistant to the Comptroller

SUBJECT: Report of Cash Shortages and Fund Deficits for Audits of 2006 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, 2006.

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

Schedule A

Division of County Audit
Summary of Cash Shortages in Fiscal Offices and Offices
of Trustee, County Clerk, Clerks of Courts, Register of
Deeds, and Sheriff
June 30, 2006

<u>County</u> <u>Office/Department</u>	<u>Amount of</u> <u>Cash Shortage</u>
<u>Anderson</u>	
1. Trustee's Office	\$ 30,126 (1)
2. County Clerk's Office	1,782 (2)
<u>Campbell</u>	
3. County Clerk's Office	3,969 (3)
<u>Cocke</u>	
4. Former Clerk and Master	44,465 (4)
<u>Cumberland</u>	
5. Ambulance Service	2,717 (5)
<u>Decatur</u>	
6. School Department	13,824 (6)
<u>Dickson</u>	
7. Circuit Court Clerk's Office	1,350 (7)
<u>Fayette</u>	
8. School Department	4,371 (8)
<u>Franklin</u>	
9. Juvenile Court Clerk's Office	24,752 (9)
<u>Gibson</u>	
10. Health Department	6,991 (3)

Schedule A

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

<u>County</u>		<u>Amount of</u>
<u>Office/Department</u>		<u>Cash Shortage</u>
<u>Hamblen</u>		
11. Sheriff's Office	\$	14,326 (10)
12. County Clerk's Office		12,138 (11)
<u>Hardeman</u>		
13. Solid Waste Department		21,731 (3)
<u>Henry</u>		
14. Sheriff's Department		162,657 (12)
<u>Hickman</u>		
15. Emergency Communications District		11,773 (13)
<u>Houston</u>		
16. County Executive's Office		3,480 (14)
<u>Morgan</u>		
17. County Clerk's Office		14,756 (15)
<u>Robertson</u>		
18. County Clerk's Office		1,902 (1)
<u>Rutherford</u>		
19. School Department		3,031 (3)
<u>Sevier</u>		
20. County Clerk's Office		13,389 (16)
21. General Sessions Court Clerk's Office		16,643 (17)

Schedule A

Division of County Audit
Summary of Cash Shortages 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>Amount of</u> <u>Cash Shortage</u>
	<u>Sumner</u>	
22.	School Department	\$ 7,122 (18)
	<u>Tipton</u>	
23.	School Department	820 (1)
	<u>Unicoi</u>	
24.	General Sessions Court Clerk's Office	21,431 (18)
	<u>Union</u>	
25.	County Clerk's Office	5,903 (18)
	<u>Van Buren</u>	
26.	County Mayor's Office	7,428 (19)
	<u>White</u>	
27.	Sheriff's Department	1,108 (3)
	<u>Williamson</u>	
28.	Recreation Department	45,037 (18)
	Total	\$ 499,022

Schedule A

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

- (1) This cash shortage occurred during the 2005-06 year. This cash shortage was liquidated prior to June 30, 2006.
- (2) This cash shortage occurred during the 2005-06 year. A portion of the cash shortage (\$1,316) was liquidated prior to June 30, 2006, and the remaining amount (\$466) was liquidated subsequent to June 30, 2006.
- (3) This cash shortage was reported in the county's 2005-06 audit report. This cash shortage was liquidated subsequent to June 30, 2006.
- (4) This cash shortage was reflected during the 1996-97 audit period. The original cash shortage was \$101,822. The official's bonding company liquidated \$50,000 of this shortage leaving a remainder of \$51,822. The former clerk and master, Charles Chesteen, began making monthly payments of \$25 toward court costs and restitution in December 2001. As of June 30, 2006, Mr. Chesteen had made payments of \$7,357 toward restitution leaving a balance of \$44,465.
- (5) This cash shortage was reported in the county's 2005-06 audit report. As of July 23, 2007, a former secretary has been indicted for the theft of these funds and the cash shortage remains unpaid.
- (6) This cash shortage occurred during the 2004-05 audit period. The original cash shortage was \$21,574. As of June 30, 2006, the remaining balance was \$13,824.

Schedule A

Division of County Audit

Summary of Cash Shortages in Fiscal Offices and Offices of Trustee, County Clerk, Clerks of Courts, Register of Deeds, and Sheriff (Cont.)

- (7) This cash shortage was reported in the county's 2005-06 audit period. A portion (\$1,050) of the cash shortage occurred during the 2005-06 year and was liquidated prior to June 30, 2006. The remaining shortage (\$300) occurred subsequent to June 30, 2006, and remains unliquidated as of July 23, 2007.
- (8) This cash shortage was reflected during the 2001-02 audit period. A School Department employee pled guilty to theft during the 2002-03 year and agreed to liquidate the cash shortage. However, prior to being able to liquidate the cash shortage the individual died. The director of schools filed a claim with the School Department's insurance carrier seeking reimbursement of this shortage. During the 2004-05 year, the insurance carrier paid \$6,000 toward this shortage.
- (9) This cash shortage was reported in the county's 2005-06 audit report. Subsequent to June 30, 2006, an office employee was indicted for theft involving this shortage but has not yet been to trial. As of July 23, 2007, this cash shortage has not been liquidated.
- (10) This cash shortage was reflected in the county's audit report for the 2002-03 year. In March 2005, a former office employee was tried for theft involving this cash shortage but was found not guilty. The county has filed a claim with the county's insurance carrier seeking reimbursement of the remaining shortage under their employee dishonesty bond. However, as of July 23, 2007, this cash shortage has not been liquidated.
- (11) A cash shortage of \$41,380 was disclosed by the previous auditor of Hamblen County in a special review conducted during the 2001-02 year. During the 2002-03 year, the county filed a claim with their insurance carrier who paid the county \$26,799. 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 county of \$15,000. As of June 30, 2006, the unliquidated balance was \$12,138.

Schedule A

Division of County Audit
Summary of Cash Shortages in Fiscal Offices and Offices
of Trustee, County Clerk, Clerks of Courts, Register of
Deeds, and Sheriff
June 30, 2006

- (12) This cash shortage was reported in the county's 2005-06 audit period. The former sheriff has been indicted for theft and other charges involving this cash shortage. As of July 23, 2007, this cash shortage remains unliquidated.
- (13) This cash shortage was reported in the county's 2005-06 audit period. The former bookkeeper has been indicted for theft involving this cash shortage. As of July 23, 2007, this cash shortage remains unliquidated.
- (14) The county's audit report for the 2001-02 year reflected a cash shortage of \$10,290 that occurred during the period ended August 2002. During the 2002-03 year, \$2,210 of this cash shortage was liquidated. During the 2003-04 year an additional \$4,600 of the cash shortage was liquidated. The county intends to file a claim with the county's insurance carrier seeking reimbursement of the remaining shortage of \$3,480 under their employee dishonesty bond. However, as of July 23, 2007, this claim had not been filed.
- (15) The county' audit report for the 2004-05 year disclosed a cash shortage of \$6,103. During the 2005-06 year, an additional cash shortage of \$8,653 was discovered bring the total shortage to \$14,756. This cash shortage was liquidated subsequent to June 20, 2006.
- (16) The county's audit report for the 2002-03 year reflected a cash shortage of \$16,836. During the 2004-05 year, a former office employee pled guilty to theft and agreed to begin paying \$300 per month toward this shortage. At June 30, 2006, the remaining shortage was \$13,389.
- (17) The county's audit report for the 2003-04 year reflected a cash shortage of \$2,616. During the 2004-05 year, we expanded our testwork and found additional discrepancies relating to checks being deposited without being receipted of \$14,027 that brought the total cash shortage to \$16,643 on June 30, 2005. A former office worker has been indicted for theft related to this cash shortage. As of July 23, 2007, this shortage has not been liquidated.

Schedule A

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

- (18) This cash shortage was reported in the county's 2005-06 audit report. This cash shortage has not been liquidated as of July 23, 2007.

- (19) This cash shortage was reported in the county's 2005-06 audit report. A former office employee has been indicted by the Van Buren grand jury for misuse of a county credit card in regard to this cash shortage. This cash shortage has not been liquidated as of July 23, 2007.

Schedule B

Division Of County Audit
Summary Of Fund Deficits Existing in Fund Balance/Net
Assets Accounts
June 30, 2006

<u>County</u> <u>Fund Type</u> <u>Fund</u>	<u>Amount of</u> <u>Fund Deficit</u>
1. <u>Anderson</u> Capital Projects Fund: Education Capital Projects	\$ 643,140
2. <u>Benton</u> Capital Projects Fund: Other Capital Projects	3,928,798
3. <u>Blount</u> Capital Projects Fund: Other Capital Projects	2,871,615
4. <u>Bradley</u> Special Revenue Fund: Local Purpose	1,002
5. <u>Campbell</u> Capital Projects Fund: General Capital Projects Other Capital Projects	912,298 7,870,650
6. <u>Carroll</u> Capital Projects Fund: General Capital Projects	364,019
7. <u>Carter</u> Capital Projects Fund: Education Capital Projects	1,157,743

Schedule B

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

<u>County</u>	<u>Amount of</u>
<u>Fund Type</u>	<u>Fund Deficit</u>
<u>Fund</u>	
8. <u>Claiborne</u>	
Capital Projects Fund:	
Highway Capital Projects	\$ 244,182
9. <u>Clay</u>	
Special Revenue Fund:	
Solid Waste/Sanitation	46,035
10. <u>Cocke</u>	
Capital Projects Fund:	
General Capital Projects	203,769
11. <u>Crockett</u>	
Capital Projects Fund:	
General Capital Projects	1,711
12. <u>Davidson</u>	
Special Revenue Funds:	
Nashville Career Advancement Center	123,543
Regulation and Inspection Services	224,752
Capital Projects Funds:	
Education Capital Projects	3,180,773
Fiduciary Fund	
Education Flexible Benefits Trust	496
13. <u>Decatur</u>	
Capital Projects Fund:	
General Capital Projects	104,985
Other Capital Projects	178,583

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>
14.	<u>Dickson</u> Capital Projects Fund: Community Development/Industrial Park	\$ 24,136
15.	<u>Fayette</u> Capital Projects Fund: General Capital Projects	7,246,028
16.	<u>Franklin</u> Capital Projects Fund: Highway Capital Projects	257,080
17.	<u>Grainger</u> Capital Projects Fund: Education Capital Projects	3,605,899
18.	<u>Hamblen</u> Special Revenue Fund: School Federal Projects	23,488
19.	<u>Hawkins</u> Capital Projects Fund: Community Development/Industrial Park	29,730
20.	<u>Haywood</u> Capital Projects Fund: Education Capital Projects	201,222
21.	<u>Hickman</u> Capital Projects Fund: General Capital Projects	14,367,961

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>Amount of</u>
	<u>Fund</u>		<u>Fund Deficit</u>
22.	<u>Houston</u>		
	Capital Projects Fund:		
	Other Capital Projects	\$	395,285
23.	<u>Jackson</u>		
	Capital Projects Fund:		
	General Capital Projects		1,698,315
24.	<u>Jefferson</u>		
	Capital Projects Fund:		
	Other Capital Projects	1,982,497	
	Education Capital Projects	3,004,503	
	Special Revenue Fund:		
	School Federal Projects		7,299
25.	<u>Johnson</u>		
	Capital Projects Fund:		
	General Capital Projects		50,700
26.	<u>Knox</u>		
	Capital Projects Fund:		
	Public Improvement	6,214,692	
	Special Revenue Fund:		
	School Federal Projects	110,905	
	School General Projects	124,719	
27.	<u>Lake</u>		
	Special Revenue Fund:		
	Solid Waste/Sanitation		11,656

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>
28.	<u>Lawrence</u>	Capital Projects Fund:	
		Homeland Security Capital Projects	\$ 16,264
29.	<u>Loudon</u>	Capital Projects Fund:	
		Education Capital Projects	326,871
30.	<u>Marshall</u>	Capital Projects Fund:	
		Community Development/Industrial Park	814,407
31.	<u>McNairy</u>	Special Revenue Funds:	
		Special Purpose	4,595
32.	<u>Montgomery</u>	Capital Projects Funds:	
		Community Development/Industrial Park	500
		Education Capital Projects	18,494,222
33.	<u>Obion</u>	Capital Projects Funds:	
		Education Capital Projects	1,287,437
		Special Revenue Fund:	
		Special Purpose	355,779
34	<u>Pickett</u>	Special Revenue Fund:	
		Central Cafeteria	3,941

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>Amount of</u>
	<u>Fund</u>		<u>Fund Deficit</u>
35.	<u>Polk</u>		
	Capital Projects Funds:		
	Other Capital Projects	\$	4,691,953
36	<u>Rhea</u>		
	Capital Projects Funds:		
	Education Capital Projects		16,363
37.	<u>Scott</u>		
	Special Revenue Fund:		
	Drug Control		8,305
	Capital Projects Funds:		
	General Capital Projects		1,053,041
	Other Capital Projects		1,823,103
	Community Development/Industrial Park		102,180
38.	<u>Sequatchie</u>		
	Capital Projects Fund:		
	Education Capital Projects		2,960,996
39.	<u>Smith</u>		
	Special Revenue Fund:		
	Courthouse and Jail Maintenance		20,269
	Capital Projects Fund:		
	General Capital Projects		48,003
	CDGB Capital Projects		158,034
	Community Capital Projects		1,117,993

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>
40.	<u>Stewart</u>	Capital Projects Fund:	
		Highway Capital Projects	\$ 50,088
41.	<u>Sullivan</u>	Capital Projects Fund:	
		Other Capital Projects	208,605
42.	<u>Unicoi</u>	Capital Projects Fund:	
		Community Development/Industrial Park	59,981
		Capital Projects Fund:	
		Education Capital Projects	490,797
43.	<u>Van Buren</u>	General	48,776
		Special Revenue Funds:	
		Solid Waste/Sanitation	585
44	<u>Warren</u>	Capital Projects Fund:	
		Education Capital Projects	5,867,976
45.	<u>Wayne</u>	Special Revenue Fund:	
		School Federal Projects	81,151
	Total		<u><u>\$ 101,526,424</u></u>

Schedule C

Division Of County Audit
Summary Of Fund Deficits Existing in Net Asset
Accounts Of Proprietary Funds
June 30, 2006

<u>County</u>	<u>Fund Type</u>	<u>Fund</u>	<u>Unrestricted</u>
			<u>Net Assets</u>
1.	<u>Anderson</u>		
	Fuduciary Fund:		
	Flexible Benefits		\$ 8,302
2.	<u>Cumberland</u>		
	Enterprise Fund:		
	Solid Waste Disposal		1,627,223
3.	<u>Davidson</u>		
	Enterprise Funds:		
	General Hospital		10,989,143
	Surplus Property Auction		149,975
	Municipal Auditorium		47,547
	Police Impound		2,593,579
	Internal Service Funds:		
	Injured on Duty		1,089,927
	Treasury Management		7,764
	Finance Services		232,771
	General Services		2,734,106
4.	<u>Hardeman</u>		
	Enterprise Fund:		
	Solid Waste Disposal		1,560,854
5.	<u>Hardin</u>		
	Enterprise Fund:		
	Park Rest - Harden County Health Center		476,681
	Internal Service Fund:		
	Employee Insurance		6,694

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>
6.	<u>Haywood</u>	Enterprise Fund:	
		Solid Waste Disposal	\$ 848,701
7.	<u>Jefferson</u>	Enterprise Fund:	
		Solid Waste Disposal	2,096,509
8.	<u>Rutherford</u>	Internal Service Fund:	
		Workers' Compensation	393,281
9.	<u>Scott</u>	Enterprise Fund:	
		Public Utility	196,396
		Solid Waste Disposal	16,517
10.	<u>Shelby</u>	Enterprise Funds:	
		Corrections Center	84,959
		Internal Service Funds:	
		Employer Insurance	959,015
11.	<u>Smith</u>	Enterprise Fund:	
		Solid Waste Disposal	604,994
12.	<u>White</u>	Enterprise Fund:	
		Solid Waste Disposal	2,156,478

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>
13.	<u>Williamson</u>			
	Enterprise Fund:			
		Solid Waste Disposal	\$	4,312,032
	Total		\$	<u><u>33,193,448</u></u>

Division of County Audit
Explanation of Cash Shortages Disclosed in
Annual Financial Reports
For the Year Ended June 30, 2006

Source: 2005-2006 Annual Financial Reports for the 89 counties
audited by the Division of County Audit

Updated July 23, 2007

1. **Anderson County**

Trustee's Office

The county attorney notified the Comptroller's Office by letter dated August 15, 2006, regarding a potential impropriety in accounting for property tax collections in the Trustee's Office. The irregular transaction involved a payment from a local bank for 37 property tax bills receipted by the Trustee's Office in May 2006; however, financial institutions normally remit payments for property tax bills in the month of December. On August 25, 2006, audit staff went to the bank to determine whether the bank had made a payment for unpaid property taxes in May. On August 28, 2006, the trustee requested a meeting with auditors; and on August 29, 2006, the trustee reported to auditors that an employee (trustee's granddaughter) had resigned effective May 4, 2006, after it was determined that the employee had diverted cash collections of the office for personal use. The trustee also advised that the check from the bank receipted in May 2006, was issued to the Trustee's Office as a result of the bank's loan to the employee to liquidate the majority of the funds that the employee had diverted from the office, but not yet restored.

The trustee provided auditors with records that the employee had retained for collections she had diverted from the office. Those records indicated that the employee had diverted property tax plus interest and penalty collections between November 29, 2005, and May 4, 2006, totaling \$30,126.34. The employee had restored a portion of these funds (\$7,609.42) prior to the diversion being detected and restored the balance of the funds subsequent to her resignation (\$22,516.92). The employee also paid \$931.94 to the Trustee's Office to account for additional interest and penalty that had accrued on the accounting system for the taxes that had been diverted. We examined the records presented by the trustee, as well as other records of the office, and found a total of 53 cash receipts that the employee had apparently deleted or voided from the office accounting system in order to divert the collections.

The office staff became aware of improprieties when certain taxpayers notified the office that they had received delinquent property tax notices for unpaid taxes which in fact had already been paid. These taxpayers subsequently provided evidence to the Trustee's Office verifying that their taxes had indeed been paid. The trustee presented auditors with the original delinquent notices that the employee had removed from the group of notices being mailed to delinquent taxpayers. By removing these notices, the employee prevented most taxpayers from realizing that their payments had been diverted. However, the employee inadvertently failed to remove all of the affected property notices; therefore, certain taxpayers were notified that their properties were delinquent when in fact their taxes had been paid.

The trustee advised auditors that when the employee was confronted with the information presented by the taxpayers, the employee acknowledged the diversion of those collections, as well as acknowledging the diversion of many other tax collections not detected by the Trustee's Office. The trustee obtained the records the employee had retained of collections she had diverted, and upon the employee restoring the funds, the Trustee's Office recorded the customers' taxes as paid.

We expanded our audit procedures in the Trustee's Office to determine if there were indications of other amounts that had been diverted by the employee in addition to amounts restored. Our audit included a review of certain transactions through August 31, 2006, the date the trustee left office. Although our procedures did not discover any other collections being diverted, there was no audit trail maintained by the computer accounting system of the use of the delete function which had been used to remove the majority of the diverted tax payments from the system. Without an audit trail of the use of the delete function, it is possible that receipts for other taxes could have been deleted from the system and not be detected. If we become aware of any further tax collections that have been diverted, we will communicate those in a future report.

On November 8, 1999, an information systems audit finding regarding the availability of the delete function had been reported, and the trustee had that capability removed from the computer system based on our recommendation. However, the function was apparently restored to the system at some point in time that neither the trustee nor the software vendor can determine. The trustee advised that once she became aware of the availability of the delete function (in March or April of 2006), she again had the software vendor remove that capability; however, the software vendor had no record of a change being made during the year. We did note that for transactions that were diverted in April and May 2006, the employee used the void function on the computer system, rather than the delete function. Unlike the delete function, the void function does provide an audit trail of the receipts voided. While certain employees of the office stated they were not aware that the delete function was available, other employees stated they were aware of it. The delete function is a material weakness in the internal control system. To preserve the integrity of the accounting system, it is essential that no accounting entries be removed without an audit trail of the deletion.

This shortage has been reviewed with the district attorney general.

2. Anderson County

County Clerk's Office

On May 30, 2006, during our audit entrance conference, the county clerk reported that an employee had resigned on November 14, 2005, after it was determined that the employee had diverted cash collections of the office for personal use. The employee had diverted the funds by deleting motor vehicle registration receipts from the office computer system and removing a like amount of cash from the office. At the time the clerk reported the issue to auditors, he had identified nine transactions totaling \$1,316.36 that the employee had diverted from the office and had not repaid until

confronted by the clerk. The employee repaid the \$1,316.36 to the County Clerk's Office on November 15, 2005. Subsequent to our entrance conference, another transaction was discovered by the clerk for a collection of \$465.50 that had been diverted. The county attorney wrote a letter to the employee stating that those funds should be repaid, and the employee repaid the \$465.50 on July 17, 2006.

The clerk became aware of improprieties when two customers called regarding the status of their title applications. The clerk examined logs maintained by the computer system and found title applications and renewal transactions which had been deleted from the accounting system and never reprocessed.

The clerk advised that when the employee was confronted about the deleted transactions, she acknowledged diverting those funds. Upon the employee restoring the funds, the County Clerk's Office reprocessed the title applications and renewal transactions which had been inappropriately deleted. The clerk's review of the log of deleted transactions indicated that there may have been other transactions that the employee had inappropriately deleted but reprocessed before being confronted by the clerk.

This shortage has been reviewed with the district attorney general.

3. Campbell County

County Clerk's Office

The District Attorney General's Office notified the Comptroller's Office on October 17, 2006, that an employee of the County Clerk's Office had apparently stolen some collections.

We met with the county clerk, and he advised us that in September 2006, he had confronted an employee after he discovered 23 motor vehicle renewal transactions totaling \$1,357 that the employee had deleted from the office computer system. The clerk advised us that upon discovering the deleted transactions, he 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.

In summary, the audit of the office revealed that funds of at least \$3,969 had been stolen. 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) the \$740 shortage in the employee's cash drawer.

Although the clerk had discovered the initial problem with the diverted funds in September 2006, he did not notify our office or the District Attorney General's Office until after the cash drawer shortage was discovered on October 13, 2006.

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

4. 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, 2006, Mr. Chesteen had made payments of \$7,357 toward restitution. The remaining balance of \$44,465 is reflected as a cash shortage at June 30, 2006.

5. Cumberland County

Ambulance Service

We noted several receipts for cash collections that were not deposited to the office bank account or otherwise accounted for. Upon discovering these irregularities, we extended our audit procedures to include the period from July 1, 2004, through September 30, 2006. As a result of our extended procedures, we were unable to account for receipts totaling \$2,716.80.

Also, in one instance, we noted a receipt that was issued for a cash collection that was not included on the corresponding bank deposit. For this transaction, the accounting records reflected a receipt for a collection made by check; however, the amount posted

to the accounting records was less than the amount of the check, and the difference was posted as a write-off to accounts receivable. Employees at the Ambulance Service advised that the difference should not have been written-off. This unaccounted for cash is included as part of the \$2,716.80 noted above.

We have discussed these matters with the county mayor, the Ambulance Service director, and the district attorney general. The Tennessee Bureau of Investigation is currently conducting an investigation of the Ambulance Service. A former secretary has been indicted for theft and the case is currently going through the legal process.

6. **Decatur County**

School Department Cafeteria Employee

The discretely presented General Purpose School Fund had a remaining cash shortage of \$13,824 at June 30, 2006. This cash shortage resulted from a theft (\$21,574) 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.

7. **Dickson County**

Circuit Court Clerk's Office

The office had a cash shortage of \$1,350. 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 from the office. The clerk notified the Sheriff's Department, and an investigation was conducted. The investigation determined that the employee had entered receipt information totaling \$300 into the computer system, printed the paperwork, and then voided the transaction. Auditors reviewed the office's receipt history report and confirmed the results of the Sheriff's Department investigation. The employee's position was terminated on August 30, 2006. On October 25, 2006, the Grand Jury indicted the employee. This case is still pending as of the date of this report.

8. **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 cash shortage remains unpaid and is unlikely to be collected.

9. **Franklin County**

Juvenile Court Clerk's Office

A cash shortage of \$24,752.30 existed in the Office of Juvenile Court at June 30, 2006. 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. In November 2004, the circuit, general sessions, and juvenile courts clerk relocated the juvenile court staff from the courts' central office to a separate building where juvenile court cases are heard. The clerk's office policy for juvenile court was to accept only cash for the payment of fines, costs, restitution, and fees. Juvenile staff issued receipts for collections utilizing unofficial three-part manual receipt books; however, the circuit, general sessions, and juvenile court's accounting records were maintained at the central office on a computerized system that has a receipting function. The clerk thought it would be easier if manually issued receipts were utilized at Juvenile Court and then transported with cash to the central office for processing, rather than train the juvenile staff to issue official receipts by computer on-line.

Our review concluded that one juvenile court employee listed the 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, 2006. This case is pending as of the date of this report.

10. **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. We have reviewed this shortage with the district attorney general.

11. **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. The county has filed a claim with their insurance carrier and is seeking reimbursement of this shortage from their employee dishonesty bond. However, as of July 23, 2007, the insurance carrier has not liquidated this shortage.

12. **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, 2006, the former employee had made payments of \$2,443 toward restitution. The remaining balance of \$12,138 is reflected as a cash shortage at June 30, 2006.

13. **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 subsequent to June 30, 2007.

14 **Henry County**

Sheriff's Department

The Sheriff's Department had a cash shortage of \$162,656.91 on June 30, 2006. This cash shortage consisted of purchases of numerous items that appear to have no apparent use or benefit to the Sheriff's Department, instances of collusion, falsified invoices, and purchases of items for personal use. The process of collusion included falsifying or altering invoices submitted to the county for payment and falsifying purchase requisitions and county inventory records. The sheriff made some items available for inventory purposes. However, due to the falsification of invoices, we were unable to determine a dollar amount to reduce the cash shortage. Also, there did not appear to be any apparent county use for many of the items presented, and the sheriff acknowledged that some items were for his personal use. The following table summarizes the deficiencies that comprise the cash shortage.

Cash Shortage:

ITEM A.	- Elite Firearms	\$	103,380.78
ITEM B.	- Twenty-Fourth Judicial District Drug Task Force		4,473.10
ITEM C.	- Iron Brigade Armory		11,142.90
ITEM D.	- Ross and Sons, Inc.		1,100.00
ITEM E.	- Michael McLaurin		569.95
ITEM F.	- The Toggery		250.00
ITEM G.	- Ammunition		2,581.90
ITEM H.	- Handgun Magazine Clips		3,925.35
ITEM I.	- Knives		2,391.44
ITEM J.	- Other Tactical Items		31,092.39
ITEM K.	- Miscellaneous Items		1,749.10
			162,656.91
Total Cash Shortage		\$	162,656.91

On November 20, 2007, 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. Bumpus and Ferren were also indicted for false entries by a licensed dealer of a firearm record. This cash shortage remains unliquidated as of July 23, 2007.

15. **Hickman County**

Emergency Communications District

A cash shortage of at least \$11,773.06 existed in the Hickman County Emergency Communications District at June 30, 2006. 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><u>\$ 11,773.06</u></u>

The cash shortage is comprised of the following:

- A. The address coordinator, Darlene Field, made various credit card purchases totaling \$1,665.38 on behalf of the district. These credit card purchases included gas, office supplies, lodging, meals, and alcohol and were subsequently paid for by the district. After Darlene Field made these credit card purchases, she used the various credit card receipts to request reimbursement for these items, and she received reimbursement from the district, as if she had made these purchases with her own personal funds. Therefore, the district paid for these expenditures twice. In addition, the address coordinator requested reimbursements totaling \$192.86; however, no supporting documentation was on file for these reimbursements. Therefore, the total cash shortage related to unauthorized reimbursements from the district to the address coordinator for the period totaled \$1,858.24 (\$1,665.38 + \$192.86).
- B. The address coordinator received checks for travel advances purportedly for board members and district employees for the period under review totaling \$10,250. Travel claims or other adequate documentation were not on file to support the expenditures of all of these travel advances. However, we were able to document receipts that appeared to be related to travel totaling \$3,958.39. Therefore, the total cash shortage related to these travel advances totaled \$6,291.61 (\$10,250 - \$3,958.39).
- C. The address coordinator made personal purchases using her credit card totaling \$1,931.58. District funds were used to pay these credit card charges. The address coordinator subsequently repaid the district \$1,199.97 for the personal purchases. Therefore, the total cash shortage related to personal purchases using the credit card totaled \$731.61 (\$1,931.58 - \$1,199.97).
- D. The district paid \$1,028.10 in airfare and conference registration expenses for the address coordinator's spouse and daughter. The state attorney general has opined that the payment of these types of expenses for spouses and relatives is not an authorized expenditure. Therefore, the total cash shortage related to the payment of

airfare and conference registration expenses of the spouse and daughter of the address coordinator totaled \$1,028.10.

- E. The district paid \$2,487.50 for airfare and conference registration expenses for spouses and relatives of dispatchers and board members. We were able to verify one dispatcher's reimbursement to the district totaling \$624. One board member and one dispatcher indicated that they reimbursed the address coordinator in cash for a portion of their expenses; however, we were unable to verify these reimbursements. Therefore, the cash shortage related to unauthorized airfare and conference registration expenses for spouses and relatives totaled \$1,863.50 (\$2,487.50 - \$624)

This shortage has been reviewed with the district attorney general. The address coordinator has been indicted by the Hickman County Grand Jury and is awaiting trial.

16. 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 has not been liquidated as of July 23, 2007. It is unlikely that this cash shortage will ever be liquidated.

17. Morgan County

County Clerk's Office

The annual financial report of Morgan County for the year ended June 30, 2005, revealed a cash shortage of at least \$6,103.19 in the Office of County Clerk. We also reported that our examination was ongoing, and if any additional shortage was determined, we would communicate those results in a future report. As a result of our ongoing examination, an additional \$8,652.74 cash shortage was identified, bringing the total cash shortage to \$14,755.93 as of June 30, 2006. The county clerk 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. **Robertson County**

County Clerks Office

On September 27, 2005, the county clerk received information that an employee in the office had her personal vehicle repossessed by a title loan company. This prompted the clerk to examine the employee's registration renewals, resulting in the clerk's determination that the employee had fraudulently renewed the registration on her personal vehicle for the past two years. The clerk then contacted the office's software vendor to get a listing of all voided transactions processed by the employee. Examination of these records revealed that several transactions were entered into the computer system, the paperwork printed, and the transactions then voided. The clerk identified fraudulent transactions totaling \$1,902. The employee advised the clerk that she had taken the funds and altered the records. The clerk then requested an investigation be performed by the Robertson County Sheriff's Department. On October 5, 2005, the county clerk informed auditors from the Comptroller's Office about the cash shortage in the office.

On November 4, 2005, the employee pled guilty to one count of theft of property over \$1,000. The employee was sentenced two years on state probation and ordered to pay Robertson County restitution totaling \$2,284.50 (theft of \$1,902 plus software vendor charges totaling \$382.50). Restitution was paid on November 14, 2005.

19. **Rutherford County**

School Department

On September 8, 2006, School Department officials informed auditors they had discovered that an employee purchased personal items with school funds. A review of the records revealed a cash shortage of at least \$3,031.34. This shortage consisted of personal purchases for groceries (\$2,434.14), a telephone (\$247.14), and miscellaneous items (\$350.06). The School Department terminated the employee's position on September 12, 2006. We have reviewed this shortage with the district attorney. The former employee has subsequently liquidated the cash shortage.

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, 2006, \$3,446.50 had been paid toward the shortage leaving an unpaid balance of \$13,389.43 at June 30, 2006.

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 currently scheduled to go to trial in August 2007.

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 remains unliquidated as of July 23, 2007.

23. **Tipton County**

School Department

The assistant to the Transportation Department's secretary was paid \$820 for services she did not perform. In addition to assistant secretarial duties, her duties also included driving a regular bus route as well as the Covington Integrated Arts Academy (CIAA) route. The transportation supervisor was advised that this individual had asked a substitute bus driver to drive her CIAA route on numerous occasions. After investigating the matter, the transportation supervisor determined that this individual had been paid for driving the CIAA route as well as the substitute bus driver. The transportation supervisor discovered that this double payment had occurred 41 times at \$20 per occurrence totaling \$820. As a result of the investigation, the director of schools terminated this individual as assistant to the transportation secretary and placed her on probation as a bus driver for the remainder of the 2005-06 year. The School Department deducted \$820 from her February 15, 2006, paycheck. The Tipton County Board of Education has implemented internal controls that will prevent this type of incident from happening again.

24. Unicoi County

General Sessions Court Clerk's Office

Due to discrepancies discovered in deposits, we extended certain audit procedures through December 5, 2006. As a result of our extended procedures, we found that a cash shortage of \$21,431 existed in the Office of General Sessions Court Clerk as of December 5, 2006. Of that amount, \$1,034 occurred prior to June 30, 2006, and is reflected as a cash shortage in the county's financial statements. The majority of this shortage consisted of checks and money orders (\$21,137) that had been deposited to the official bank account during the period June 22, 2006, through December 5, 2006, but had not been receipted. Therefore, these checks had been substituted for cash that had been receipted by the clerk's office.

Our examination disclosed several discrepancies involving deposits of the office. We identified over 40 deposits where the allocation between cash and checks/money orders listed on the deposit tickets did not agree with the allocation between cash and checks/money orders on the office's receipt reports. On those deposits, less cash was deposited than was receipted, and more checks/money orders were deposited than were receipted. We also found that deposits were not taken to the bank on a current basis, allowing cash to accumulate in the office. Several deposits were made over a week after the funds were received. Section 5-8-207, Tennessee Code Annotated, requires county officials to deposit funds within three days of collection.

When we inquired about these discrepancies, we were advised that several customers had complained that they had received notifications from the state Department of Safety that their driver's licenses were being suspended for failure to pay traffic tickets, when in fact the tickets had been paid. Those customers forwarded copies of their canceled checks/money orders to the office as proof of payment, and the clerk's office then notified the state Department of Safety that the traffic tickets had been paid. Adjustments were not made to the accounting records to record the receipt of the funds, and the cause of the discrepancies was not adequately investigated by the clerk.

The following table and subsequent discussions summarize the cash shortage identified by our audit.

Cash Shortage:

ITEM A. - A total of 117 checks and money orders from customers were deposited but not receipted. Names or addresses on the items could be traced to cases in General Sessions Court.	\$ 20,637
ITEM B. - Five checks from the State of Tennessee were deposited but not receipted.	500
ITEM C. - Four receipts issued by the office were not posted to the general ledger. The office did not account for those collections.	244
ITEM D. - One deposit total was adjusted down by the bank. The office did not account for those funds.	<u>50</u>
Total Cash Shortage	<u><u>\$ 21,431</u></u>

ITEM A. - Due to the discrepancies in the deposits, we requested that the clerk obtain from the bank copies of items deposited to the official bank account for the days where totals of cash and checks/money orders did not agree with corresponding totals on receipt reports. Our examination revealed that 143 checks and money orders had been deposited to the account but not receipted. We also found that checks and money orders from certain days' collections had been commingled with collections deposited for other days.

We attempted to trace names and addresses on the 143 unreceipted checks and money orders to cases in General Sessions Court to confirm that the payments related to cases in the court. We were able to trace names or addresses on 117 of those items, totaling \$20,637, to existing court cases. However, records for those court cases did not reflect a receipt for the funds deposited. Some of the cases reflected notations or entries to indicate that amounts had been paid, but did not reflect an actual receipt entry. Those 117 items have been included in the calculation of the cash shortage.

ITEM B. - Five other unreceipted checks, from the 143 items identified, were determined to be for payment of fees to the office from the State of Tennessee. Those five checks, totaling \$500, have also been included in the calculation of the cash shortage.

We could not trace names and addresses on the remaining 21 checks and money orders, which totaled \$2,589.53, to cases in the court. The propriety of those transactions has not yet been determined, and we have not included those items in the calculation of the cash shortage. If any

additional cash shortage is determined, we will communicate that in a future report.

ITEM C. & D. - While performing our audit procedures we discovered four receipts totaling \$244 that were not posted to the general ledger and one bank deposit that was adjusted down by the bank by \$50. These transactions were not accounted for and have been included in the cash shortage.

The clerk advised us that she had deposited approximately \$600 of personal funds to the official bank account during May 2006, to balance deposits with receipts issued by the office. However, the clerk could produce no evidence of the personal payment, stating that the funds were paid in cash. The clerk did not notify our office of that shortage, or of any of the checks and money orders presented by customers, until we informed her about improprieties in the deposits.

Other deficiencies we noted included the failure to maintain any records for checks and money orders received by mail. We also noted that collections were sometimes left in unlocked desk drawers overnight or on weekends. These conditions increase the risk for funds to be diverted without detection.

The cash shortage and other irregularities have been reviewed with 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

The general sessions court clerk notified us that on August 28, 2006, she discovered that a bank deposit bag was missing from her office. She stated that the bag contained \$5,902.58 which had been collected in General Sessions Court on August 25, 2006. The clerk also notified the county mayor and the Sheriff's Department. The Sheriff's Department conducted an investigation; however, no one has been charged in the theft. The missing funds consist of checks and money orders totaling \$1,551.84 and cash totaling \$4,350.74. The clerk contacted the customers who paid by check and requesting that they stop payment on the stolen checks and issue a replacement if the check has not cleared their account. The clerk has also filed a claim with the county's insurance carrier. This cash shortage has not been liquidated as of July 23, 2007.

26. Van Buren County

County Mayor's Office

During the 2005-06 year, the County Mayor's Office applied for a business credit card account and received three credit cards. The account was in the name of County Mayor Carolyn Houston/Van Buren County, and the billing address was the Van Buren County Mayor's Office. The approved credit card application was not signed by the county mayor, but by the mayor's administrative assistant. The application listed the authorized card users as the county mayor, the ambulance service director, and the mayor's administrative assistant.

Purchases began to appear on credit card statements in April 2006. However, the county made no payments for charges made on this account during the year. The county mayor relied upon the administrative assistant for the administration of the office and did not ensure that the invoices were reviewed, approved, and paid currently. All purchases were made on the card assigned to the mayor's administrative assistant, while the other two cards were never used. Our review of the credit card statements indicated that the purchases did not appear to be for county business purposes, but were for the personal use of the administrative assistant.

County Mayor Carolyn Houston was defeated in the August 2006 general election, and sometime during that month, the credit card company, purportedly at the request of the administrative assistant, changed the billing address on the account from the county's address to the administrative assistant's personal residence. The administrative assistant maintained possession of his card and continued to use the account even after he had left the county's employment due to the change in administration.

On October 2, 2006, incumbent County Mayor Kelly Dishman became aware of this credit card account and requested copies of all statements from the credit card company. He also requested that the credit card company confiscate the former administrative assistant's card if it was used again. On October 3, 2006, the card was confiscated when the former administrative assistant attempted to use the card in Ft. Lauderdale, Florida. Subsequently, the account was closed, and the outstanding balance on the business account was transferred to another account in the name of the county and the current county mayor. The credit card company is now demanding payment from the county for the outstanding balance.

For the period April 20, 2006, to October 3, 2006, charges on the business credit card account totaled \$9,293.64, and payments made by the former administrative assistant from personal funds totaled \$2,857.32. On January 25, 2007, the balance on the credit card account was \$7,428.26, including finance charges of \$991.94. At June 30, 2006, the outstanding balance on the account was \$2,896.72 and has been reflected in the General Fund as a cash shortage in the financial statements of this report.

This finding has been discussed with the district attorney general. The Van Buren County Grand Jury has indicted the former administrative assistant for theft involving this cash shortage and he is currently awaiting trial.

27. White County

Sheriff's Department

The Sheriff's Office had a cash shortage of \$1,108 on June 30, 2006. This cash shortage was the result of not properly accounting for funds received from the Finance Department for undercover drug operations. Confidential undercover drug reports reflected a negative cash balance of \$592 at June 30, 2006. However, our audit revealed that a receipt of \$2,000 had not been reflected on the reports, and another receipt of \$200 had been reflected as \$500. Correcting these errors revealed that the cash balance on hand at June 30, 2006, should have been \$1,108.

On July 20, 2006, the sheriff issued a department check for \$592 to reimburse the drug agent for the negative balance reflected on the confidential drug reports at year-end. The issuance of this check increased the amount of unaccounted cash to \$1,700. On January 16, 2007, the sheriff liquidated the unaccounted cash by depositing a personal check for \$1,700 with the White County Finance Office. These cash discrepancies have been discussed with the district attorney general.

28. Williamson County

Recreational Department

The Recreational Department had a cash shortage of at least \$45,037.43 on June 30, 2006, due to collections that were not deposited or otherwise accounted for. This shortage could be larger because several receipts were missing. Without receipts we are unable to determine if all funds have been accounted for.

On November 9, 2006, the director of the county's Parks and Recreation Department received information alleging that an employee at the Fairview Recreation Center was stealing money, and on November 13, 2006, the director of accounts and budgets informed auditors about the potential cash shortage. The director of the Parks and Recreation Department questioned the suspected employee, and advised us that the employee admitted to taking funds for a year or two. The park's director immediately terminated the employee's position with the department, and on November 14, 2006, notified the Fairview Police Department and requested an investigation.

We have discussed this shortage with the district attorney general. The district attorney general district is currently working with the terminated employee to reach a settlement of the cash shortage.

**Division of County Audit
 Explanation of Net Assets Deficits and Fund Deficits
 Disclosed in Annual Financial Reports
 For the Year Ended June 30, 2006**

Source: 2005-06 Annual Financial Reports for the 89 Counties Audited
 by the Division of County Audit

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
1. <u>Anderson</u>		
Flexible Benefits (Fiduciary)	\$ 8,302	
Education Capital Projects (Capital Projects)		\$ 643,140
<p>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, 2006, as additional payroll deductions are received.</p> <p>The fund deficit in the Education Capital Projects Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances. This fund deficit should be liquidated subsequent to June 30, 2006, as additional loan proceeds are received.</p>		
2. <u>Benton</u>		
Other Capital Projects (Capital Projects)		3,928,798

This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this fund deficit subsequent to June 30, 2006, through the receipt of grant proceeds and the issuance of capital outlay notes.

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
3. <u>Blount</u>		
Other Capital Projects (Capital Projects)		\$ 2,871,615
<p>This fund deficit resulted from the recognition of liabilities and outstanding commitments on construction contracts. This fund deficit should be liquidated subsequent to June 30, 2006, as additional loan proceeds are received.</p>		
4. <u>Bradley</u>		
Local Purpose Fund (Special Revenue)		1,002
<p>This fund deficit resulted primarily from expenditures exceeding available funding. This fund deficit is expected to be liquidated subsequent to June 30, 2006, through local funding.</p>		
5. <u>Campbell</u>		
General Capital Projects (Capital Projects)		912,298
Other Capital Projects (Capital Projects)		7,870,650
<p>These fund deficits resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate these fund deficits subsequent to June 30, 2006, through the receipt of other loan proceeds.</p>		
6. <u>Carroll</u>		
General Capital Projects (Capital Projects)		364,019
<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, 2006, through the issuance of debt.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
7. <u>Carter</u>		
Education Capital Projects (Capital Projects)		\$ 1,157,743
<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, 2006, through the issuance of debt.</p>		
8. <u>Claiborne</u>		
Highway Capital Projects (Capital Projects)		244,182
<p>This fund deficit resulted from liabilities exceeding available funding and the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2006, through the issuance of debt.</p>		
9. <u>Clay</u>		
Solid Waste/Sanitation (Special Revenue)		46,035
<p>The fund deficit resulted primarily from expenditures exceeding available funding. This fund deficit was liquidated subsequent to June 30, 2006, through local funding.</p>		
10. <u>Cocke</u>		
General Capital Projects (Capital Projects)		203,769
<p>This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2006, through the receipt of state grants and the issuance of debt.</p>		

Net Assets	Fund
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<u>County/Fund/(Fund Type)</u>	<u>Deficit</u>	<u>Deficit</u>
11. <u>Crockett</u>		
General Capital Projects (Capital Projects)		\$ 1,711
<p>This fund deficit resulted from the expenditures exceeding available funding. This deficit was liquidated subsequent to June 30, 2006, through a transfer from the county's General Fund.</p>		
12. <u>Cumberland</u>		
Solid Waste Disposal (Enterprise)	\$ 1,627,223	
<p>This net assets deficit 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.</p>		
13. <u>Decatur</u>		
General Capital Projects (Capital Projects)		104,985
Other Capital Projects (Capital Projects)		178,583
<p>These fund deficits resulted primarily from the unperformed portions of construction contracts being reserved as encumbrances. Management intends to liquidate these fund deficits subsequent to June 30, 2006, through the receipt of grant proceeds and the issuance of debt.</p>		
14. <u>Dickson</u>		
Community Development/Industrial Park (Capital Projects)		24,136
<p>This fund deficit resulted from liabilities that exceeded current available funding. Management intends to liquidate this fund deficit subsequent to June 30, 2006, through the issuance of debt and/or the receipt of grant proceeds.</p>		

Net Assets	Fund
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<u>County/Fund/(Fund Type)</u>	<u>Deficit</u>	<u>Deficit</u>
15. <u>Fayette</u>		
General Capital Projects (Capital Projects)		\$ 7,246,028
<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 fund deficit subsequent to June 30, 2006, through the issuance of debt.</p>		
16. <u>Franklin</u>		
Highway Capital Projects (Capital Projects)		257,080
<p>This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this fund deficit subsequent to June 30, 2006, through the issuance of debt.</p>		
17. <u>Grainger</u>		
Education Capital Projects (Capital Projects)		3,605,899
<p>This fund deficit primarily resulted from the recognition of the unperformed portion of construction contracts reserved as encumbrances. This fund deficit is expected to be liquidated subsequent to June 30, 2006, through the issuance of bonds.</p>		
18. <u>Hamblen</u>		
School Federal Projects (Special Revenue)		23,488
<p>This fund deficit resulted from the deferral of certain grant revenues that were received more than 60 days beyond year end. This deficit was liquidated subsequent to June 30, 2006, through the receipt of grant proceeds.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
19. <u>Hardeman</u>		
Solid Waste Disposal (Enterprise)	\$ 1,560,854	
<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, 2006, through the issuance of debt and local funding.</p>		
20. <u>Hardin</u>		
Employee Insurance (Internal Service)	6,694	
Park Rest – Hardin County Health Center (Enterprise)	476,681	
<p>The net assets deficit in the Employee Insurance Fund resulted from current medical liabilities exceeding current assets. The net assets deficit in the Park Rest – Hardin County Health Services Fund resulted from losses in past years. Management intends to liquidate these deficits subsequent to June 30, 2006, from fees and charges.</p>		
21. <u>Hawkins</u>		
Community Development/Industrial Park (Capital Projects)		29,730
<p>This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this fund deficit subsequent to June 30, 2006, as additional grant proceeds and contributions are received.</p>		
	Net Assets	Fund

County/Fund/(Fund Type)

Deficit

Deficit

22. **Haywood**

Solid Waste Disposal
(Enterprise)

\$ 848,701

Education Capital Projects
(Capital Projects)

\$ 201,222

The 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 Education Capital Projects Fund resulted from the recognition of an encumbrance (\$133,500) for an obligation to purchase school busses and the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this fund deficit subsequent to June 30, 2006, through the issuance of debt.

23. **Hickman**

General Capital Projects
(Capital Projects)

14,367,961

This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this fund deficit subsequent to June 30, 2006, as additional loan proceeds are received.

24. **Houston**

Other Capital Projects
(Capital Projects)

395,285

This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management expects to liquidate this fund deficit subsequent to June 30, 2006, as additional grant proceeds are received.

Net Assets

Fund

<u>County/Fund/(Fund Type)</u>	<u>Deficit</u>	<u>Deficit</u>
25. <u>Jackson</u>		
General Capital Projects (Capital Projects)		\$ 1,698,315
<p>This fund deficit resulted from the unperformed portion of construction contracts (\$1,398,161) being reserved as encumbrances and the recognition of current liabilities (\$422,454). Management expects to liquidate this deficit subsequent to June 30, 2006, as additional loan proceeds are received.</p>		
26. <u>Jefferson</u>		
Solid Waste Disposal (Enterprise)	\$ 2,096,509	
Other Capital Projects (Capital Projects)		1,982,497
Education Capital Projects (Capital Projects)		3,004,503
School Federal Projects (Special Revenue)		7,299

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.

The fund deficits in the Other Capital Projects Fund and the Educational Capital Projects Fund resulted from the recognition of the unperformed portion of contracts being reserved as encumbrances and the recognition of current liabilities. Management intends to liquidate these deficits subsequent to June 30, 2006, through the receipt of bond proceeds and loan proceeds.

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, 2006, when these grant revenues were received.

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
27. <u>Johnson</u>		
General Capital Projects (Capital Projects)		\$ 50,700
<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, 2006, through the issuance of debt.</p>		
28. <u>Lake</u>		
Solid Waste/Sanitation Fund (Special Revenue)		11,656
<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, 2006, as additional revenues are received.</p>		
29. <u>Lawrence</u>		
Homeland Security Capital Projects (Capital Projects)		16,264
<p>This fund deficit resulted from the recognition of outstanding contracts for equipment being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2006, from the receipt of grant proceeds.</p>		
30. <u>Loudon</u>		
Education Capital Projects (Capital Projects)		326,871
<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, 2006, through the issuance of debt.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
31. <u>Marshall</u>		
Community Development/Industrial Park Fund (Special Revenue)		\$ 814,407
<p>This fund deficit resulted from the recognition of construction contracts being reserved as encumbrances. Management expects to liquidate this deficit subsequent to June 30, 2006, from the receipt of local funding and/or the issuance of debt.</p>		
32. <u>McNairy</u>		
Special Purpose (Special Revenue)		4,595
<p>This fund deficit resulted from expenditures exceeding available funds. Management plans to liquidate this deficit subsequent to June 30, 2006, through the receipt of local funding.</p>		
33. <u>Montgomery</u>		
Community Development/ Industrial Park (Capital Projects)		500
Education Capital Projects (Capital Projects)		18,494,222
<p>The fund deficit in the Community Development/ Industrial Park Fund resulted from expenditures exceeding available funds. Management plans to liquidate this deficit subsequent to June 30, 2006, through the receipt of local funding.</p>		
<p>The fund deficit in the Education 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 fund deficit subsequent to June 30, 2006, through the receipt of bond proceeds.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
34. <u>Obion</u>		
Special Purpose (Special Revenue)		\$ 355,779
Education Capital Projects (Capital Projects)		1,287,437
<p>The fund deficit in the Special Purpose Fund resulted from expenditures exceeding available funds. Management plans to liquidate this deficit subsequent to June 30, 2006, through the receipt of grant 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 intends to liquidate this fund deficit subsequent to June 30, 2006, through the issuance of debt.</p>		
35. <u>Pickett</u>		
Central Cafeteria (Special Revenue)		3,941
<p>This fund deficit resulted from expenditures exceeding available funds. Management plans to liquidate this deficit subsequent to June 30, 2006, through increased meal prices.</p>		
36. <u>Polk</u>		
Other Capital Projects (Capital Projects)		4,691,953
<p>This fund deficit resulted primarily from the unperformed portion of construction contracts being reserved as encumbrances and the recognition of liabilities. This deficit is expected to be liquidated subsequent to June 30, 2006, through the receipt of loan proceeds.</p>		

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
37. <u>Rhea</u>		
Education Capital Projects (Capital Projects)		\$ 16,363
<p>This fund deficit resulted from the unperformed portion of a construction contract being reserved as an encumbrance. This deficit was liquidated subsequent to June 30, 2006, through a transfer from the General Purpose School Fund.</p>		
38. <u>Rutherford</u>		
Workers' Compensation (Internal Service)	\$ 393,281	
<p>This net assets deficit resulted from claims and estimates exceeding contributions. Management intends to liquidate this deficit subsequent to June 30, 2006, from transfers from the General Fund and the General Purpose School Fund.</p>		
39. <u>Scott</u>		
Drug Control (Special Revenue)		8,305
General Capital Projects (Capital Projects)		1,053,041
Community Development/Industrial Park (Capital Projects)		102,180
Other Capital Projects (Capital Projects)		1,823,103
Solid Waste Disposal (Enterprise)	16,517	
Public Utility (Enterprise)	196,396	

County/Fund/(Fund Type)

**Net Assets
Deficit**

**Fund
Deficit**

The fund deficit in the Drug Control Fund resulted from expenditures exceeding available funding. Management intends to liquidate this deficit subsequent to June 30, 2006, through the receipt of additional funding.

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, 2006, through the receipt of loan proceeds.

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, 2006, through a transfer from the General Fund.

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, 2006, through the receipt of funding from the Town of Oneida.

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

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.

Net Assets

Fund

<u>County/Fund/(Fund Type)</u>	<u>Deficit</u>	<u>Deficit</u>
40. <u>Sequatchie</u>		
Education Capital Projects (Capital Projects)		\$ 2,960,996
<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, 2006, through interfund transfers and the issuance of debt.</p>		
41. <u>Smith</u>		
Courthouse and Jail Maintenance (Special Revenue)		20,269
General Capital Projects (Capital Projects)		48,003
Community Development Block Grant (Capital Projects)		158,034
Community Capital Projects (Capital Projects)		1,117,993
Solid Waste Disposal (Enterprise)	\$ 604,994	
<p>The fund deficit in the Courthouse and Jail Maintenance Fund resulted from expenditures exceeding available funding. Management intends liquidate this deficit subsequent to June 30, 2006, through the receipt of additional litigation tax revenues.</p>		
<p>The fund deficits in the General Capital Projects Fund and the Community Development Block Grant Fund resulted primarily from the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate these deficits subsequent to June 30, 2006, through the receipt of grant proceeds.</p>		
<p>The fund deficit in the Community 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, 2006, through the receipt of loan proceeds.</p>		
	Net Assets	Fund

County/Fund/(Fund Type)

Deficit

Deficit

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 through debt issuance and interfund transfers.

42. **Stewart**

Highway Capital Projects
(Capital Projects)

\$ 50,088

This fund deficit 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, 2006, through an additional tax levy for property within the Eagles Rest Road Special Tax District.

43. **Sullivan**

Other Capital Projects
(Capital Projects)

208,605

This fund deficit resulted from recognition of the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2006, through receipt of grant proceeds.

44. **Unicoi**

Community Development/Industrial Park
(Capital Projects)

59,981

Education Capital Projects
(Capital Projects)

490,797

The fund deficit in the Community Development/Industrial Park Fund resulted from the unperformed portion of construction contracts being reserved as encumbrances. Management intends to liquidate this deficit subsequent to June 30, 2006, through a transfer from grant revenues.

The fund deficit in the Education 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, 2006, through debt issuance.

<u>County/Fund/(Fund Type)</u>	<u>Net Assets Deficit</u>	<u>Fund Deficit</u>
45. <u>Van Buren</u>		
General (General)		\$ 48,776
Solid Waste/Sanitation (Special Revenue)		585

The fund deficit in the General Fund resulted from the recognition of a contract for the purchase of voting machines being reserved as an encumbrance. This deficit was liquidated subsequent to June 30, 2006, as grant proceeds were received.

The fund deficit in the Solid Waste/Sanitation Fund resulted from expenditures exceeding available funding. Management expects to liquidate this deficit subsequent to June 30, 2006, through the receipt of local revenues.

46. <u>Warren</u>		
Education Capital Projects (Capital Projects)		5,867,976

This fund deficit resulted from the unperformed portion of construction contracts being reserved as encumbrances and the recognition of current liabilities. This deficit should be liquidated subsequent to June 30, 2006, through the issuance of debt.

47. <u>Wayne</u>		
School Federal Projects (Special Revenue)		81,151

This fund deficit resulted from expenditures exceeding available funding. Management expects to liquidate this deficit subsequent to June 30, 2006, through the receipt of grant revenues and local funding.

Net Assets	Fund
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<u>County/Fund/(Fund Type)</u>	<u>Deficit</u>	<u>Deficit</u>
48. <u>White</u>		
Solid Waste Disposal (Enterprise)		
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.	\$ 2,156,478	
49. <u>Williamson</u>		
Solid Waste Disposal (Enterprise)		
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.	4,312,032	