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# **ANNUAL FINANCIAL REPORT**

## **JACKSON COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2012**



**ANNUAL FINANCIAL REPORT  
JACKSON COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2012**

***COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT  
JAMES R. ARNETTE  
Director***

***CARL LOWE, CGFM  
Audit Manager***

***ANITA SCARLETT, CPA  
Auditor 4***

***TIM BRASHEARS, CGFM  
KELLEY J. McNEAL, CPA, CGFM  
State Auditors***

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

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## JACKSON COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		6-8
<u>INTRODUCTORY SECTION</u>		9
Jackson County Officials		10
<u>FINANCIAL SECTION</u>		11
Independent Auditor's Report		12-14
BASIC FINANCIAL STATEMENTS:		15
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	25
Notes to the Financial Statements		26-60
REQUIRED SUPPLEMENTARY INFORMATION:		61
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	62-63
Solid Waste/Sanitation Fund	E-2	64
Highway/Public Works Fund	E-3	65-66
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Jackson County School Department	E-4	67
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Jackson County School Department	E-5	68
Notes to the Required Supplementary Information		69-70

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		71
Nonmajor Governmental Funds:		72
Combining Balance Sheet	F-1	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	F-3	75
Major Governmental Fund:		76
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	77
Fiduciary Funds:		78
Combining Statement of Fiduciary Assets and Liabilities	H-1	79
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	80
Component Unit:		
Discretely Presented Jackson County School Department:		81
Statement of Activities	I-1	82
Balance Sheet – Governmental Funds	I-2	83
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	84
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	85
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-6	87
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-7	88-90
School Federal Projects Fund	I-8	91
Central Cafeteria Fund	I-9	92

	Exhibit	Page(s)
Miscellaneous Schedules:		93
Schedule of Changes in Long-term Notes, Other Loans, and Bonds – Primary Government and Discretely Presented Jackson County School Department	J-1	94-95
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Jackson County School Department	J-2	96-98
Schedule of Transfers – Discretely Presented Jackson County School Department	J-3	99
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Jackson County School Department	J-4	100
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	101-105
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Jackson County School Department	J-6	106-107
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	108-122
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Jackson County School Department	J-8	123-136
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	137
 <u>SINGLE AUDIT SECTION</u>		 138
Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		139-141
Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133		142-144
Schedule of Expenditures of Federal Awards and State Grants		145-146
Schedule of Audit Findings Not Corrected		147-148
Schedule of Findings and Questioned Costs		149-163
Auditee Reporting Responsibilities		164

***Audit Highlights***  
Annual Financial Report  
Jackson County, Tennessee  
For the Year Ended June 30, 2012

***Scope***

We have audited the basic financial statements of Jackson County as of and for the year ended June 30, 2012.

***Results***

Our report on the Jackson County financial statements is unqualified.

Our audit resulted in 18 findings and recommendations, which we have reviewed with Jackson County management. Detailed findings and recommendations are included in the Single Audit section of this report.

***Findings and Best Practice***

The following are summaries of the audit findings and best practice:

**OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT**

- ◆ The General, General Debt Service, and Highway/Public Works funds required material audit adjustments for proper financial statement presentation.
- ◆ The General and Highway/Public Works funds had deficits in unassigned fund balances at June 30, 2012.

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**OFFICE OF COUNTY MAYOR**

- ◆ General ledger cash accounts were not reconciled with county trustee reports.
  - ◆ The office had deficiencies in budget operations.
  - ◆ The office had deficiencies in purchasing procedures.
  - ◆ Numerous misclassifications were noted in the accounting records.
  - ◆ Deficiencies were noted in the operations of the Ambulance Service.
  - ◆ Leave records were not on file to support payroll disbursements.
  - ◆ General ledger payroll liability accounts were not reconciled.
  - ◆ Interfund receivables and payables were not liquidated on a current basis.
  - ◆ Tax anticipation notes were not retired in compliance with state statute.
-

**OFFICE OF ROAD SUPERINTENDENT**

- ◆ The office had deficiencies in budget operations.
- 

**OFFICES OF TRUSTEE, COUNTY CLERK, AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ Multiple employees operated from the same cash drawer.
- 

**OFFICES OF COUNTY CLERK AND CLERK AND MASTER**

- ◆ Bank statements were not reconciled with the general ledger.
- 

**OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND CLERK AND MASTER**

- ◆ Execution docket trial balances did not reconcile with general ledger accounts.
- 

**OFFICE OF CLERK AND MASTER**

- ◆ Some collections were not deposited within three days.
- 

**JACKSON COUNTY**

- ◆ Jackson County has a material recurring audit finding.
- 

**OFFICES OF COUNTY MAYOR, ROAD SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER AND SHERIFF**

- ◆ Duties were not segregated adequately.
-

## **BEST PRACTICE**

Jackson County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Jackson County.

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# INTRODUCTORY SECTION

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# Jackson County Officials

## June 30, 2012

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### **Officials**

John Cason, County Mayor  
Edward Anderson, Road Superintendent  
Joe Barlow, Director of Schools  
Vernon Ragland, Trustee  
Kimberly Rhoten Crabtree, Assessor of Property  
Mary Jo Matthews, County Clerk  
Jeff Hardy, Circuit and General Sessions Courts Clerk  
Sherrie Pippin, Clerk and Master  
Kim Barham, Register  
Brad Stafford, Sheriff

### **Board of County Commissioners**

John Cason, County Mayor, Chairman	
Scott Allen	Richard Head
Greg Anderson	Randy Heady
Buddy Brown	Shane Keith
Joey Denson	Diane Martin
Larry Fox	Willard Mayberry
Jonathan Goad	Billy Myers
Carl Haile	Jack Smith
Barry Hammock	Jerry Smith
Bruce Hawkins	Karl Smith

### **Board of Education**

Dewey Mabery, Chairman  
Mark Brown  
James Robert Childress  
Scott Heinrich  
Jeff Lynn  
Sandra Ragland

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

October 31, 2012

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Jackson County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jackson County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jackson County Emergency Communications District, which represent one percent and 2.6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Jackson County Emergency Communications District, is based on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Tennessee, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of Jackson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 62 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Jackson County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the

financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Jackson County School Department (a discretely presented component unit), and the miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke on the left side.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Jackson County, Tennessee  
Statement of Net Assets  
June 30, 2012

	Primary Governmental Activities	Component Units	
		Jackson County School Department	Jackson County Emergency Communications District
<b>ASSETS</b>			
Cash	\$ 18,865	\$ 0	\$ 147,425
Equity in Pooled Cash and Investments	1,521,471	6,556,372	0
Inventories	0	19,964	0
Accounts Receivable	355,515	32,906	130
Allowance for Uncollectibles	(169,679)	0	0
Due from Other Governments	1,298,325	242,169	4,521
Property Taxes Receivable	2,915,352	1,770,035	0
Allowance for Uncollectible Property Taxes	(127,849)	(77,623)	0
Prepaid Items	0	0	1,910
Deferred Charges - Debt Issuance Cost	0	20,921	0
Capital Assets:			
Assets Not Depreciated:			
Land	364,836	173,658	0
Construction in Progress	52,577	39,299	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	6,308,235	11,028,068	0
Other Capital Assets	1,061,157	683,722	44,192
Infrastructure	14,438,030	0	0
Total Assets	<u>\$ 28,036,835</u>	<u>\$ 20,489,491</u>	<u>\$ 198,178</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 196,126	\$ 0	\$ 1,356
Accrued Payroll	0	2,829	7,922
Payroll Deductions Payable	10,357	0	536
Accrued Interest Payable	21,164	0	0
Contracts Payable	729,891	0	0
Retainage Payable	15,559	0	0
Due to State of Tennessee	0	3,163	0
Deferred Revenue - Current Property Taxes	2,631,218	1,597,526	0
Noncurrent Liabilities:			
Due Within One Year	586,261	405,000	4,841
Due in More Than One Year	4,389,064	8,010,727	125,872
Total Liabilities	<u>\$ 8,579,640</u>	<u>\$ 10,019,245</u>	<u>\$ 140,527</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 17,249,510	\$ 3,853,747	\$ (86,521)
Restricted for:			
Solid Waste/Sanitation	28,574	0	0
Drug Control	33,548	0	0
Highway/Public Works	336,010	0	0
Debt Service	863,892	0	0
Capital Projects	6,238	0	0
School Federal Projects	0	136,040	0
Central Cafeteria	0	358,143	0
Other Purposes	123,065	24,553	0
Unrestricted	816,358	6,097,763	144,172
Total Net Assets	<u>\$ 19,457,195</u>	<u>\$ 10,470,246</u>	<u>\$ 57,651</u>

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

Exhibit B

Jackson County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Primary Government		Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Jackson County School Department	County Emergency Communications District			
Primary Government:										
Governmental Activities:										
General Government	\$ 670,674	\$ 45,994	\$ 27,581	\$ 0	\$ (597,099)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	310,439	223,077	0	0	(87,362)	0	0	0	0	0
Administration of Justice	449,680	214,106	73,332	18,750	(143,492)	0	0	0	0	0
Public Safety	2,379,422	1,200,731	7,800	0	(1,170,891)	0	0	0	0	0
Public Health and Welfare	1,239,738	420,782	12,855	0	(806,101)	0	0	0	0	0
Social, Cultural, and Recreational Services	115,568	7,204	10,272	11,311	(86,781)	0	0	0	0	0
Agriculture and Natural Resources	176,075	0	164,906	0	(11,169)	0	0	0	0	0
Other Operations	662,214	20,275	0	0	(641,939)	0	0	0	0	0
Highways/Public Works	3,524,221	72,423	1,503,694	1,928,993	(19,111)	0	0	0	0	0
Interest on Long-term Debt	59,032	0	0	0	(59,032)	0	0	0	0	0
Other Debt Service	18,610	0	0	0	(18,610)	0	0	0	0	0
Total Governmental Activities	\$ 9,605,673	\$ 2,204,592	\$ 1,800,440	\$ 1,959,054	\$ (3,641,587)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 9,605,673	\$ 2,204,592	\$ 1,800,440	\$ 1,959,054	\$ (3,641,587)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Jackson County School Department	\$ 13,269,348	\$ 242,857	\$ 2,495,011	\$ 0	\$ 0	\$ (10,531,480)	\$ 0	\$ 0	\$ 0	\$ 0
Emergency Communications District	341,143	248,107	0	0	0	0	0	0	(93,036)	(93,036)
Total Component Units	\$ 13,610,491	\$ 490,964	\$ 2,495,011	\$ 0	\$ 0	\$ (10,531,480)	\$ (93,036)	\$ (93,036)	\$ (93,036)	\$ (93,036)

(Continued)

Exhibit B

Jackson County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units		
				Primary Government Total Governmental Activities	Jackson County School Department	Jackson County Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 2,721,746	\$ 1,676,203	\$ 0
Property Taxes Levied for Debt Service				44,247	0	0
Local Option Sales Taxes				140,290	514,008	0
Wheel Tax				0	172,305	0
Business Tax				27,289	0	0
Mineral Severance Tax				34,651	0	0
Wholesale Beer Tax				74,833	0	0
Litigation Taxes				37,484	0	0
Other Local Taxes				705	1,024	0
Grants and Contributions Not Restricted to Specific Programs				564,519	9,251,578	127,560
Unrestricted Investment Earnings				53,093	411	250
Miscellaneous				149,522	21,064	1,652
Total General Revenues				\$ 3,848,379	\$ 11,636,593	\$ 129,462
Insurance Recovery				\$ 0	\$ 0	\$ 18,419
Change in Net Assets				\$ 206,792	\$ 1,105,113	\$ 54,845
Net Assets, July 1, 2011				19,400,013	9,276,629	2,806
Prior-period Adjustment				(149,610)	88,504	0
Net Assets, June 30, 2012				\$ 19,457,195	\$ 10,470,246	\$ 57,651

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

Exhibit C-1

Jackson County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<b>ASSETS</b>							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,865	\$ 18,865	\$ 18,865
Equity in Pooled Cash and Investments	779,211	3,409	266,717	359,794	112,340	1,521,471	1,521,471
Accounts Receivable	347,615	805	5,956	0	1,139	355,515	355,515
Allowance for Uncollectibles	(169,679)	0	0	0	0	(169,679)	(169,679)
Due from Other Governments	316,388	572	981,365	0	0	1,298,325	1,298,325
Due from Other Funds	20,004	6,429	0	1,142,796	0	1,169,229	1,169,229
Property Taxes Receivable	2,273,280	416,479	190,886	34,707	0	2,915,352	2,915,352
Allowance for Uncollectible Property Taxes	(99,692)	(18,264)	(8,371)	(1,522)	0	(127,849)	(127,849)
<b>Total Assets</b>	\$ 3,467,127	\$ 409,430	\$ 1,436,553	\$ 1,535,775	\$ 132,344	\$ 6,981,229	\$ 6,981,229

LIABILITIES AND FUND BALANCES

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
<b>Liabilities</b>							
Accounts Payable	\$ 19,429	\$ 0	\$ 176,697	\$ 0	\$ 0	\$ 196,126	\$ 196,126
Payroll Deductions Payable	5,389	4,968	0	0	0	10,357	10,357
Contracts Payable	0	0	729,891	0	0	729,891	729,891
Retainage Payable	0	0	15,559	0	0	15,559	15,559
Due to Other Funds	1,149,225	0	0	0	20,004	1,169,229	1,169,229
Deferred Revenue - Current Property Taxes	2,051,724	375,888	172,282	31,324	0	2,631,218	2,631,218
Deferred Revenue - Delinquent Property Taxes	115,150	21,096	9,669	1,758	0	147,673	147,673
Other Deferred Revenues	281,563	0	462,086	0	0	743,649	743,649
<b>Total Liabilities</b>	\$ 3,622,480	\$ 401,952	\$ 1,566,184	\$ 33,082	\$ 20,004	\$ 5,643,702	\$ 5,643,702
<b>Fund Balances</b>							
Restricted:							
Restricted for General Government	\$ 13,799	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,799	\$ 13,799
Restricted for Administration of Justice	100,516	0	0	0	0	100,516	100,516
Restricted for Public Safety	8,750	0	0	0	33,548	42,298	42,298
Restricted for Public Health and Welfare	0	7,478	0	0	0	7,478	7,478
Restricted for Debt Service	0	0	0	877,184	0	877,184	877,184

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	0	0	0	0	0	6,238	\$ 6,238
0	0	0	0	0	0	727	727
0	0	0	0	0	0	71,827	71,827
0	0	0	0	625,509	0	625,509	625,509
(278,418)	0	0	(129,631)	0	0	0	(408,049)
\$ (155,353)	\$ 7,478	\$ (129,631)	\$ 1,502,693	\$ 1,502,693	\$ 112,340	\$ 1,337,527	\$ 1,337,527
\$ 3,467,127	\$ 409,430	\$ 1,436,553	\$ 1,535,775	\$ 1,535,775	\$ 132,344	\$ 6,981,229	\$ 6,981,229

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Restricted (Cont.):	
Restricted for Capital Projects	
Committed:	
Committed for Administration of Justice	
Committed for Other Operations	
Committed for Debt Service	
Unassigned	
Total Fund Balances	

Total Liabilities and Fund Balances

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

Exhibit C-2

Jackson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2012

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 1,337,527
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 364,836	
Add: construction in progress	52,577	
Add: buildings and improvements net of accumulated depreciation	6,308,235	
Add: infrastructure net of accumulated depreciation	14,438,030	
Add: other capital assets net of accumulated depreciation	<u>1,061,157</u>	22,224,835
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (217,434)	
Less: notes payable	(985,891)	
Less: other loans payable	(3,772,000)	
Less: accrued interest on bonds and notes	<u>(21,164)</u>	(4,996,489)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>891,322</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 19,457,195</u>

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

Jackson County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2012

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<b>Revenues</b>							
Local Taxes	\$ 2,408,952	\$ 392,704	\$ 215,931	\$ 42,614	\$ 0	\$ 0	\$ 3,060,201
Licenses and Permits	1,758	0	0	0	0	0	1,758
Fines, Forfeitures, and Penalties	39,497	0	0	0	35,397	0	74,894
Charges for Current Services	391,158	0	0	0	20,033	0	411,191
Other Local Revenues	249,063	12,153	101,224	0	13,197	0	375,637
Fees Received from County Officials	358,042	0	0	0	0	0	358,042
State of Tennessee	1,140,646	4,677	1,983,762	350,000	0	0	3,479,085
Federal Government	229,522	0	1,082,649	0	0	0	1,312,171
Other Governments and Citizens Groups	276,300	0	0	0	0	0	276,300
<b>Total Revenues</b>	<b>\$ 5,094,938</b>	<b>\$ 409,534</b>	<b>\$ 3,383,566</b>	<b>\$ 392,614</b>	<b>\$ 68,627</b>	<b>\$ 0</b>	<b>\$ 9,349,279</b>
<b>Expenditures</b>							
Current:							
General Government	\$ 537,979	\$ 0	\$ 0	\$ 0	\$ 81,722	\$ 0	\$ 619,701
Finance	310,439	0	0	0	0	0	310,439
Administration of Justice	429,647	0	0	0	20,033	0	449,680
Public Safety	2,209,524	0	0	0	9,998	0	2,219,522
Public Health and Welfare	900,077	448,256	0	0	0	0	1,348,333
Social, Cultural, and Recreational Services	115,478	0	0	0	0	0	115,478
Agriculture and Natural Resources	176,075	0	0	0	0	0	176,075
Other Operations	646,176	7,918	0	3,000	5,120	0	662,214
Highways	48,427	0	4,296,218	0	0	0	4,344,645
Debt Service:							
Principal on Debt	0	0	65,870	317,219	0	0	383,089
Interest on Debt	0	0	9,062	45,090	0	0	54,152
Other Debt Service	0	0	0	18,610	0	0	18,610
<b>Total Expenditures</b>	<b>\$ 5,373,822</b>	<b>\$ 456,174</b>	<b>\$ 4,371,150</b>	<b>\$ 383,919</b>	<b>\$ 116,873</b>	<b>\$ 0</b>	<b>\$ 10,701,938</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (278,884)</b>	<b>\$ (46,640)</b>	<b>\$ (987,584)</b>	<b>\$ 8,695</b>	<b>\$ (48,246)</b>	<b>\$ (1,352,659)</b>	
<b>Other Financing Sources (Uses)</b>							
Notes Issued	\$ 170,000	\$ 0	\$ 100,000	\$ 0	\$ 85,000	\$ 0	\$ 355,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 170,000</b>	<b>\$ 0</b>	<b>\$ 100,000</b>	<b>\$ 0</b>	<b>\$ 85,000</b>	<b>\$ 0</b>	<b>\$ 355,000</b>

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
Net Change in Fund Balances	\$ (108,884)	\$ (46,640)	\$ (887,584)	\$ 8,695	\$ 36,754	\$ (997,659)	
Fund Balance, July 1, 2011	(46,469)	54,118	757,953	1,493,998	75,586	2,335,186	
Fund Balance, June 30, 2012	\$ (155,353)	\$ 7,478	\$ (129,631)	\$ 1,502,693	\$ 112,340	\$ 1,337,527	

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

Exhibit C-4

Jackson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (997,659)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: assets purchased and capitalized	\$ 1,200,218	
Less: current-year depreciation expense	<u>(482,162)</u>	718,056
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 891,322	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(428,136)</u>	463,186
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on notes	\$ 220,423	
Add: principal payments on bonds	8,666	
Add: principal payments on other loans	154,000	
Less: note proceeds	<u>(355,000)</u>	28,089
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest on bonds	\$ 391	
Change in accrued interest on notes	<u>(5,271)</u>	<u>(4,880)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 206,792</u>

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

Exhibit D

Jackson County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 852,407
Due from Other Governments	<u>42,921</u>
Total Assets	<u>\$ 895,328</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 42,921
Due to Litigants, Heirs, and Others	<u>852,407</u>
Total Liabilities	<u>\$ 895,328</u>

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

**JACKSON COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Jackson County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Jackson County:

**A. Reporting Entity**

Jackson County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Jackson County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Jackson County School Department operates the public school system in the county, and the voters of Jackson County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Jackson County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Jackson County, and the Jackson County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Jackson County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Jackson County Emergency Communications District can be obtained from their administrative office at the following address:

Administrative Office:

Jackson County Emergency  
Communications District  
P.O. Box 313  
305 North Murry  
Gainesboro, TN 38562

**Related Organization** – The Industrial Development Board of Jackson County, Tennessee, is a related organization of Jackson County. The County Commission elects the board members, but the county’s accountability for the organization does not extend beyond making the appointments.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Jackson County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Jackson County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Jackson County issues all debt for the discretely presented Jackson County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide

financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Jackson County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Jackson County has no proprietary funds to report.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Jackson County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Jackson County reports the following major governmental funds:

**General Fund** – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Solid Waste/Sanitation Fund** – This special revenue fund accounts for transactions relating to the disposal of Jackson County’s solid waste. Local taxes are the foundational revenues of this fund.

**Highway/Public Works Fund** – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Jackson County reports the following fund type:

**Capital Projects Fund** – The Community Development/Industrial Park Fund is used to account for revenues and expenditures related to industrial buildings owned by the county.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Jackson County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Jackson County School Department reports the following major governmental funds:

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

**School Federal Projects Fund** – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Additionally, the Jackson County School Department reports the following fund type:

**Capital Projects Fund** – The Education Capital Projects fund is used to account for building construction and renovations in the School Department. This fund was closed during the year.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Jackson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is

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

## 2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.34 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not

available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Most payables are disaggregated on the face of the financial statements.

Retainage payable in the Highway/Public Works Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the Highway/Public Works Fund.

### **3. Inventories**

Inventories of the discretely presented Jackson County School Department are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset in the nonspendable fund balance account in the governmental funds.

### **4. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life extending beyond the current fiscal year and values as defined in the county's capital assets policy. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 - 40
Other Capital Assets	5 - 20
Infrastructure	25 - 75

**5. Compensated Absences**

It is the county's policy (excluding the Highway Department) to permit employees to accumulate earned but unused vacation benefits, which will be paid to employees upon separation of service. The cost of vacation benefits is recognized when payments are made to employees. All vacation pay should be accrued by the county when incurred and presented in the government-wide financial statements; however, Jackson County does not maintain proper leave records and does not include accrued leave in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. However, we believe that these amounts would not be material to the financial statements of the county. The county's policy does allow employees to accumulate an unlimited amount of unused sick leave; however, the granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded. The general policy of the Highway Department does not allow for the accumulation of unused vacation and sick days.

The School Department's general policy does not allow employees to accumulate earned but unused vacation leave benefits beyond year-end. The School Department does allow employees to accumulate an unlimited amount of unused sick leave; however, the granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded.

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over

the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

## **7. Net Assets and Fund Equity**

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

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

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$123,065, with the primary

restrictions being for: (1) computer systems for various offices (\$11,305), and (2) driver's safety school (\$96,674).

As of June 30, 2012, Jackson County had no outstanding debt for capital purposes for the discretely presented Jackson County School Department.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

**8. Prior-period Adjustments**

Capital assets in the primary government were restated \$149,610 from the prior year for bridges destroyed by flooding and assets that were omitted from the prior-year capital asset records.

A prior-period adjustment totaling \$88,504 was recognized in the Statement of Activities to reduce the liability for other postemployment benefits in the discretely presented Jackson County School Department that were overstated at July 1, 2011.

A liability due from the discretely presented General Purpose School Fund to the Education Capital Projects fund of \$110,566 at July 1, 2011, was established in the prior year for repairs; however, these repairs were completed by the contractor at no cost to the county.

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

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets**

**Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

**Discretely Presented Jackson County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

**B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities**

**Primary Government**

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

## **Discretely Presented Jackson County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

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

#### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year-end.

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

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

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

At June 30, 2012, Jackson County and the Jackson County School Department reported the following significant encumbrances:

Funds	Description	Amount
Primary Government:		
Major Fund:		
Highway/Public Works	Road and Bridge Construction	\$ 1,365,172
School Department:		
Major Fund:		
General Purpose School	Water Line Replacement	70,850
"	Mobile Radios for Buses	30,400
"	Custodial Supplies	15,000
School Federal Projects	Laptop and Cart	15,514

**B. Fund Deficits**

The General and Highway/Public Works funds had deficits in unassigned fund balances of \$278,418 and \$129,631, respectively, at June 30, 2012. The General Fund deficit resulted from the failure of estimated revenues to materialize, the overestimation of the beginning fund balance, and the failure to correct the finding noted in the prior-year audit report. This deficit is expected to be liquidated from tax collections subsequent to June 30, 2012. The Highway/Public Works Fund deficit resulted from the recognition of \$311,177 in unrecorded contract liabilities. This deficit is expected to be liquidated from federal grants subsequent to June 30, 2012.

**C. Expenditures Exceeded Appropriations**

1. Expenditures exceeded total appropriations approved by the County Commission in the Highway/Public Works Fund by \$2,363,408.
2. Expenditures exceeded appropriations approved by the County Commission in the General Fund's major appropriation categories (the legal level of control):

Major Category	Amount Overspent
Board of Equalization	\$ 210
Other Administration of Justice	323
Drug Enforcement	43
Jail	2,085
Other Public Safety	2,000
Soil Conservation	199
Industrial Development	37
Other Economic and Community Development	5,214
Airport	2,963
Miscellaneous	4,978
Litter and Trash Collection	9,190

3. Fifteen salary line-items exceeded appropriations approved in the County Commission in the General Fund by amounts ranging from \$100 to \$5,238. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Expenditures that exceed appropriations are a violation of state statutes. The majority of these expenditures in excess of appropriations were funded by available fund balances, however these over expenditures did contribute to the fund deficits in the General and Highway/Public Works.

**D. Appropriations Exceeded Estimated Available Funds in the Solid Waste/Sanitation and Drug Control Funds**

The budget and subsequent amendments submitted to and approved by the County Commission for the Solid Waste/Sanitation and Drug Control funds resulted in appropriations exceeding estimated available funding by \$763 and \$21,363, respectively. Sound budgetary principles dictate that appropriations be held within estimated available funding.

**E. Tax Anticipation Notes Were Not Retired in Compliance With State Statutes**

On August 26, 2011, and December 29, 2011, the General Fund borrowed \$500,000 and \$150,000, respectively, from the General Debt Service Fund to provide cash for operations. These notes should have been retired by June 30, 2012, but were still outstanding as of that date.

**F. Interfund Receivables and Payables Were Not Liquidated on a Current Basis**

Management did not liquidate interfund balances in a timely manner. Financial statements of this report reflect a Due from Other Funds in the General Debt Service Fund and a Due to Other Funds in the General Fund of \$492,796 at June 30, 2012. These interfund balances are the net result of the incorrect posting of contracted prisoner boarding from 2007-11 as provided by the county's budget allocations approved by the County Commission. On September 24, 2012, the County Commission approved the write-off of the interfund receivable of \$492,796 due to the General Debt Service Fund from the General Fund.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Jackson County and the Jackson County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for

receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

### **Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

### **Investments**

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

The county had no pooled or nonpooled investments as of June 30, 2012.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

**Primary Government**

**Governmental Activities:**

	* Restated		
	Balance		Balance
	7-1-11	Increases	6-30-12
Capital Assets Not Depreciated:			
Land	\$ 364,836	\$ 0	\$ 364,836
Construction in Progress	0	52,577	52,577
Total Capital Assets Not Depreciated	\$ 364,836	\$ 52,577	\$ 417,413
Capital Assets Depreciated:			
Buildings and Improvements	\$ 7,805,503	\$ 0	\$ 7,805,503
Infrastructure	15,980,675	980,656	16,961,331
Other Capital Assets	2,673,112	166,985	2,840,097
Total Capital Assets Depreciated	\$ 26,459,290	\$ 1,147,641	\$ 27,606,931
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,335,400	\$ 161,868	\$ 1,497,268
Infrastructure	2,380,964	142,337	2,523,301
Other Capital Assets	1,600,983	177,957	1,778,940
Total Accumulated Depreciation	\$ 5,317,347	\$ 482,162	\$ 5,799,509
Total Capital Assets Depreciated, Net	\$ 21,141,943	\$ 665,479	\$ 21,807,422
Governmental Activities Capital Assets, Net	\$ 21,506,779	\$ 718,056	\$ 22,224,835

\* See footnote I.D.8. for prior-period adjustment.

There were no decreases in capital assets to report during the year ended June 30, 2012.

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

**Governmental Activities:**

General Government	\$ 50,973
Public Safety	159,900
Public Health and Welfare	58,390
Social, Cultural, and Recreational Services	90
Highways/Public Works	<u>212,809</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 482,162</u></u>

**Discretely Presented Jackson County School Department**

**Governmental Activities:**

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 173,658	\$ 0	\$ 0	\$ 173,658
Construction in Progress	2,274,421	77,955	(2,313,077)	39,299
Total Capital Assets Not Depreciated	<u>\$ 2,448,079</u>	<u>\$ 77,955</u>	<u>\$ (2,313,077)</u>	<u>\$ 212,957</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 12,614,081	\$ 2,313,077	\$ 0	\$ 14,927,158
Other Capital Assets	1,089,220	159,355	0	1,248,575
Total Capital Assets Depreciated	<u>\$ 13,703,301</u>	<u>\$ 2,472,432</u>	<u>\$ 0</u>	<u>\$ 16,175,733</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 3,603,560	\$ 295,530	\$ 0	\$ 3,899,090
Other Capital Assets	488,950	75,903	0	564,853
Total Accumulated Depreciation	<u>\$ 4,092,510</u>	<u>\$ 371,433</u>	<u>\$ 0</u>	<u>\$ 4,463,943</u>
Total Capital Assets Depreciated, Net	<u>\$ 9,610,791</u>	<u>\$ 2,100,999</u>	<u>\$ 0</u>	<u>\$ 11,711,790</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 12,058,870</u></u>	<u><u>\$ 2,178,954</u></u>	<u><u>\$ (2,313,077)</u></u>	<u><u>\$ 11,924,747</u></u>

Depreciation expense was charged to functions of the discretely presented Jackson County School Department as follows:

**Governmental Activities:**

Instruction	\$ 295,530
Support Services	<u>75,903</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 371,433</u></u>

**C. Construction Commitment**

At June 30, 2012, the Highway/Public Works Fund had uncompleted construction contracts of approximately \$1,365,172 for road and bridge projects. Funding for these future expenditures is expected to be received from federal disaster grants.

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

The composition of interfund balances as of June 30, 2012, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 20,004
Solid Waste/Sanitation	General	6,429
General Debt Service	"	1,142,796
Discretely Presented School Department:		
School Federal Projects	General Purpose School	12,011

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

**Discretely Presented Jackson County School Department**

Transfers Out	<u>Transfers In</u>
	General Purpose School Fund
School Federal Projects Fund	\$ 28,191
Nonmajor governmental fund	60,000

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

**E. Long-term Debt**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 40 years for bonds, up to six years for notes, and up to 25 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2012, will be retired from the General Debt Service and Highway/Public Works funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bonds	4 to 5 %	2-22-49	\$ 330,600	\$ 217,434
Capital Outlay Notes	2.49 to 3.75	12-29-15	1,463,559	985,891
Other Loans	variable	5-25-31	4,700,000	3,772,000

In prior years, Jackson County entered into two separate loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned Jackson County \$3,500,000 and \$1,200,000, respectively, for jail construction. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2012, the variable interest rate for these loans was .49 percent and other fees totaled approximately .35 percent (letter of credit), .08 percent (remarketing), and a trustee fee of \$85 per month.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2012, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 418,204	\$ 32,994	\$ 451,198
2014	257,140	19,845	276,985
2015	239,781	10,786	250,567
2016	70,766	2,300	73,066
Total	\$ 985,891	\$ 65,925	\$ 1,051,816

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 159,000	\$ 18,483	\$ 18,264	\$ 195,747
2014	165,000	17,703	17,581	200,284
2015	171,000	16,895	16,871	204,766
2016	177,000	16,058	16,135	209,193
2017	183,000	15,190	15,374	213,564
2018-2022	1,011,000	61,892	64,530	1,137,422
2023-2027	1,201,000	35,329	41,213	1,277,542
2028-2031	705,000	6,801	12,091	723,892
Total	\$ 3,772,000	\$ 188,351	\$ 202,059	\$ 4,162,410

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 9,057	\$ 8,331	\$ 17,388
2014	9,351	8,529	17,880
2015	9,549	8,096	17,645
2016	4,151	7,624	11,775
2017	4,257	7,443	11,700
2018-2022	17,029	34,796	51,825
2023-2027	18,894	31,356	50,250
2028-2032	22,987	27,263	50,250
2033-2037	27,968	22,282	50,250
2038-2042	34,027	16,223	50,250
2043-2047	41,399	8,851	50,250
2048-2049	18,765	1,335	20,100
Total	<u>\$ 217,434</u>	<u>\$ 182,129</u>	<u>\$ 399,563</u>

There is \$1,502,693 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$19, based on the 2010 federal census. Debt per capita, including bonds, notes, and other loans totaled \$428, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
Balance, July 1, 2011	\$ 226,100	\$ 851,314	\$ 3,926,000
Additions	0	355,000	0
Reductions	(8,666)	(220,423)	(154,000)
Balance, June 30, 2012	<u>\$ 217,434</u>	<u>\$ 985,891</u>	<u>\$ 3,772,000</u>
Balance Due Within One Year	<u>\$ 9,057</u>	<u>\$ 418,204</u>	<u>\$ 159,000</u>

#### Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 4,975,325
Less: Balance Due Within One Year	<u>(586,261)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,389,064</u>

**Discretely Presented Jackson County School Department**

**Other Loans**

The county issues other loans on-behalf of the School Department to provide funds for the acquisition and construction of major capital facilities. In addition, other loans have been issued to refund school construction debt.

Other loans are direct obligations and pledge the full faith and credit of the government. The other loans outstanding were issued for original term of up to 28 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The other loans included in long-term debt as of June 30, 2012, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
Other Loans	variable	5-25-29	\$ 10,065,000	\$ 8,071,000

In a prior year, Jackson County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$6,300,000 to the School Department for construction of a middle school. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the School Department pays various other fees (trustee, debt remarketing, etc.) in connection with this loan. At June 30, 2012, the variable interest rate was .42 percent, and other fees totaled approximately .25 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal, and a trustee fee of \$85 per month.

During the prior year, Jackson County entered into a loan agreement with the Public Building Authority of the City of Clarksville, Tennessee. This loan agreement provided for the authority to make \$3,765,000 available for loan to Jackson County on an as-needed basis for the refunding of two school bonds and for various school construction and renovation projects. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the School Department pays various other fees (trustee, debt remarketing, etc.) in connection with this loan. At June 30, 2012, the variable interest rate was .42 percent, and other fees totaled approximately .75 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal, and a trustee fee of \$85 per month.

The annual requirements to amortize the other loans outstanding as of June 30, 2012, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2013	\$ 405,000	\$ 33,898	\$ 44,500	\$ 483,398
2014	434,000	32,197	42,088	508,285
2015	449,000	30,374	39,481	518,855
2016	475,000	28,489	36,799	540,288
2017	491,000	26,494	33,956	551,450
2018-2022	2,264,000	101,947	127,967	2,493,914
2023-2027	2,452,000	54,902	72,004	2,578,906
2028-2029	1,101,000	6,938	11,677	1,119,615
Total	\$ 8,071,000	\$ 315,239	\$ 408,472	\$ 8,794,711

Debt per capita totaled \$694, based on the 2010 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Jackson County School Department for the year ended June 30, 2012, was as follows:

#### Governmental Activities:

	Other Loans	* Restated Other Postemployment Benefits
Balance, July 1, 2011	\$ 8,462,000	\$ 241,765
Additions	0	144,406
Reductions	(391,000)	(41,444)
Balance, June 30, 2012	\$ 8,071,000	\$ 344,727
Balance Due Within One Year	\$ 405,000	\$ 0

\* See footnote I.D.B. for prior-period adjustment.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 8,415,727
Less: Balance Due Within One Year	<u>(405,000)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 8,010,727</u>

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

**F. On-Behalf Payments – Discretely Presented Jackson County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Jackson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$38,583 and \$7,403, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

Jackson County's risks of loss relating to general liability, property, casualty, and the Highway Department's workers' compensation are covered by participation in the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association. The county pays annual premiums to the pool for the risk coverage noted above. The creation of the pool provides for them to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

The Jackson County general government (excluding the Highway Department) is a member of the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county pays annual premiums to the TN-RMT for its workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

Jackson County does not provide health insurance for its employees.

**Discretely Presented Jackson County School Department**

The School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by their participation in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. Annual premiums are paid to the pool for the risk coverage noted above. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee Code Annotated (TCA)*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

**B. Subsequent Events**

On August 31, 2012, Kimberly Rhoton Crabtree left the Office of Assessor of Property and was succeeded by Tim Bowman.

On September 24, 2012, the County Commission approved the write-off of the interfund receivable of \$492,796 due to the General Debt Service Fund from the General Fund for the incorrect postings of contracted prisoner board from 2007-11.

**C. Contingent Liabilities**

The county is involved in several pending lawsuits. The attorneys for the county estimate that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**D. Joint Venture**

The Fifteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fifteenth Judicial District and participating municipalities in the district. The Fifteenth Judicial District includes Smith, Jackson, Trousdale, and Wilson counties. The DTF interlocal agreement was signed by the sheriffs of Smith County, Jackson County, Hartsville/Trousdale County Government, and the police chiefs of the cities of Carthage and Lafayette. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the

operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Jackson County made no contributions to the DTF for the year ended June 30, 2012, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General  
Fifteenth Judicial District  
203 Greentop Street  
Hartsville, TN 37074

**E. Jointly Governed Organization**

The Gainesboro Port Authority was created by the county in conjunction with the City of Gainesboro. The authority's board comprises two members appointed by the County Commission, two members appointed by the City of Gainesboro, and the remaining member appointed by the other four members. Jackson County does not provide funding for the authority and retains no ongoing financial responsibility for the authority.

**F. Retirement Commitments**

**1. Tennessee Consolidated Retirement System (TCRS)**

Plan Description

Employees of Jackson County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters

34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the county participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### Funding Policy

Jackson County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 7.3 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### Annual Pension Cost

For the year ended June 30, 2012, the county's annual pension cost of \$302,175 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was 15 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$302,175	100%	\$0
6-30-11	233,895	100	0
6-30-10	281,806	100	0

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.75 percent funded. The actuarial accrued liability for benefits was \$6.76 million, and the actuarial value of assets was \$6.67 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.08 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.48 million, and the ratio of the UAAL to the covered payroll was 2.42 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**SCHOOL TEACHERS**

**Plan Description**

The Jackson County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit

provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

### Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010, were \$535,260, \$531,598, and \$383,972, respectively, equal to the required contributions for each year.

## 2. Deferred Compensation

The discretely presented Jackson County School Department offers its employees a deferred compensation plan established pursuant to Internal Revenue Code Section (IRC) 457. All costs of administering and funding this program are the responsibility of the plan participants. The Section 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 457 establishes participation, contribution, and withdrawal provisions for the plans.

## G. Other Postemployment Benefits (OPEB)

### Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated (TCA)*, for teachers. Prior to

reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers. The required contribution rate for retirees ranges from 55 to 75 percent based on the years of service. During the year ended June 30, 2012, the discretely presented Jackson County School Department contributed \$41,444 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 145,000
Interest on the NPO	9,671
Adjustment to the ARC	<u>(10,265)</u>
Annual OPEB cost	\$ 144,406
Amount of contribution	<u>(41,444)</u>
Increase/decrease in NPO	\$ 102,962
Net OPEB obligation, 7-1-11	<u>241,765</u>
Net OPEB obligation, 6-30-12	<u><u>\$ 344,727</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 112,248	42%	\$ 169,880
6-30-11	"	117,404	39	241,765
6-30-12	"	144,406	29	344,727

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 1,460,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,460,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 5,772,638
UAAL as a % of covered payroll	26%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.5 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

**H. Purchasing Laws**

Office of County Mayor

Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, which provide for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

Chapter 111, Private Acts of 1951, as amended, and Section 54-7-113, *TCA* (Uniform Road Law), govern purchasing procedures for the Road Department. Chapter 111, Private Acts of 1951, directs the road superintendent to make necessary purchases and to file a report with the County Commission for all purchases exceeding \$1,000. Provisions of the Uniform Road Law require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, *TCA*, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**VI. OTHER NOTES – DISCRETELY PRESENTED JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Organization**

The Jackson County E-911 Emergency Communications District was established on October 1, 1990, for the purpose of providing an enhanced level of 911 service for the Jackson County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. It is a component unit of Jackson County and the commissioners appoint the Board of Directors. The district must file a budget with Jackson County each year. Any bond issued by the district is subject to approval by Jackson County.

**B. Summary of Significant Accounting Policies**

The district presents its financial statements on the accrual basis and according to Governmental Accounting Standards Board (GASB) Statement

No. 20, follows pronouncements of the Financial Accounting Standards (FASB) issued before November 30, 1989, unless they conflict with or contradict GASB guidance. After November 30, 1989, the district follows GASB guidance only and does not follow any FASB guidance issued after that date.

Capital assets are depreciated over their useful lives using the straight-line method. All assets purchased under \$5,000 are expensed unless otherwise stated by management. Depreciation begins when the capital assets are placed in service. Depreciation is summarized as follows:

<u>Assets</u>	<u>Estimated Useful Life Years</u>	<u>Depreciation Expense</u>
Other Capital Assets	5-12	<u>\$ 16,322</u>

The budget is compiled and brought before the board for approval. The board approves any amendments.

Major Source of Revenue

The major source of operating revenue is emergency telephone and wireless surcharges and revenue from the State Emergency Communications Board Operational Funding Program. Nonoperating revenue consists of grants and reimbursements from the State Emergency Communications Board and contributions from primary and other governments.

Budgeting, Budgetary Control, and Budgetary Reporting

An annual budget using the modified accrual basis of accounting is prepared and adopted each year. The budget for the year ended June 30, 2012, was approved by the board before the fiscal year began. Certain changes in expenditure allocations of the budget were addressed and approved by the board. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor or grantor, thus the board may reapply budgeted resources from one use to another without special approval for unrestricted funds.

**C. Cash and Investments**

*Tennessee Code Annotated (TCA)*, requires Tennessee banks and savings and loan associations to secure a governmental entity’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 105 percent of the entity’s deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund.

The following is a schedule of cash accounts at June 30, 2012:

Checking	\$ 147,410
Petty Cash	<u>15</u>
Total Cash	<u><u>\$ 147,425</u></u>

At June 30, 2012, the carrying amount of the district's cash deposits was \$147,425. The district's deposit accounts are covered up to \$250,000 by the FDIC. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*.

**D. Insurance Risk**

The district had bonds covering the chairman, vice-chairman, secretary, and treasurer totaling \$50,000 at June 30, 2012. The district also holds a workers' compensation policy and a liability policy covering; property theft, damage, and public liability. There have been no claims that exceeded coverage as of June 30, 2012.

**E. Capital Assets**

The following is a schedule of capital assets at June 30, 2012:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Depreciated:				
Other Capital Assets	\$ 788,068	\$ 0	\$ (31,210)	\$ 756,858
Total Capital Assets Depreciated	<u>\$ 788,068</u>	<u>\$ 0</u>	<u>\$ (31,210)</u>	<u>\$ 756,858</u>
Less Accumulated Depreciation For: Other Capital Assets	\$ 729,110	\$ 14,766	\$ (31,210)	\$ 712,666
Total Accumulated Depreciation	<u>\$ 729,110</u>	<u>\$ 14,766</u>	<u>\$ (31,210)</u>	<u>\$ 712,666</u>
Total Capital Assets Depreciated, Net	<u>\$ 58,958</u>	<u>\$ (14,766)</u>	<u>\$ 0</u>	<u>\$ 44,192</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 58,958</u></u>	<u><u>\$ (14,766)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 44,192</u></u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions.

**G. Long-term Liabilities**

The district, in need of financial assistance, entered into an agreement with the Tennessee Emergency Communications Board (TECB). The TECB loaned \$145,237 to the district to payoff the lease held at Marlin Financial and Leasing Corporation. The district is to make annual payments of \$4,841 for 30 years, interest free, beginning August 1, 2009, out of reserves. If no reserves are available, no payment is due.

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2012, was as follows:

	<u>Notes</u>
Balance, July 1, 2011	\$ 135,554
Reductions	<u>(4,841)</u>
Balance, June 30, 2012	<u>\$ 130,713</u>

**H. Compensated Absences**

There were no compensated absences payable at June 30, 2012.

**I. Calculation of Invested in Capital Assets**

Net Book Value	\$ 44,192
Less: Current and Noncurrent Debt	<u>(130,713)</u>
Invested in Net Assets, Net of Related Debt	<u>\$ (86,521)</u>

**J. Budgetary Information**

As stated in Note VI. A., the district must file a budget with Jackson County each year, which must be legally adopted by the county. The budget is prepared on the accrual basis of accounting. Compliance with the legally adopted budget is required at the program level as well as the object level.

**K. Subsequent Events**

The district has evaluated subsequent events through October 2, 2012, the date in which the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,408,952	\$ 2,461,872	\$ 2,461,872	\$ (52,920)
Licenses and Permits	1,758	2,000	2,000	(242)
Fines, Forfeitures, and Penalties	39,497	38,950	65,235	(25,738)
Charges for Current Services	391,158	625,800	645,921	(254,763)
Other Local Revenues	249,063	118,000	275,886	(26,823)
Fees Received from County Officials	358,042	401,000	403,882	(45,840)
State of Tennessee	1,140,646	1,201,407	1,182,364	(41,718)
Federal Government	229,522	17,200	106,168	123,354
Other Governments and Citizens Groups	276,300	60,000	276,300	0
<b>Total Revenues</b>	<b>\$ 5,094,938</b>	<b>\$ 4,926,229</b>	<b>\$ 5,419,628</b>	<b>\$ (324,690)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 37,943	\$ 35,500	\$ 38,675	\$ 732
Board of Equalization	960	750	750	(210)
Beer Board	272	200	300	28
County Mayor/Executive	143,641	144,543	144,748	1,107
County Attorney	6,141	5,503	6,503	362
Election Commission	106,071	131,133	124,248	18,177
Register of Deeds	90,185	93,391	93,241	3,056
County Buildings	151,207	122,174	152,724	1,517
Preservation of Records	1,559	1,675	1,650	91
<u>Finance</u>				
Property Assessor's Office	90,113	94,747	90,872	759
Reappraisal Program	700	626	701	1
County Trustee's Office	87,997	91,891	89,341	1,344
County Clerk's Office	131,629	134,664	134,791	3,162
<u>Administration of Justice</u>				
Circuit Court	149,642	170,662	156,787	7,145
General Sessions Court	122,166	122,883	122,383	217
Chancery Court	88,291	90,981	89,876	1,585
Juvenile Court	28,194	30,815	31,315	3,121
Judicial Commissioners	37,156	37,751	38,001	845
Other Administration of Justice	4,198	3,875	3,875	(323)
<u>Public Safety</u>				
Sheriff's Department	887,189	745,935	901,326	14,137
Drug Enforcement	43	0	0	(43)
Administration of the Sexual Offender Registry	1,964	550	2,745	781
Jail	1,195,800	1,166,443	1,193,715	(2,085)
Fire Prevention and Control	50,584	50,941	50,941	357
Other Emergency Management	66,944	67,900	68,100	1,156
Other Public Safety	7,000	5,000	5,000	(2,000)

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 30,856	\$ 36,185	\$ 34,720	\$ 3,864
Ambulance/Emergency Medical Services	848,372	614,809	860,839	12,467
Alcohol and Drug Programs	0	900	900	900
Crippled Children Services	450	0	1,000	550
Regional Mental Health Center	8,135	5,811	8,211	76
Appropriation to State	12,264	15,300	15,300	3,036
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	18,299	17,337	19,037	738
Senior Citizens Assistance	26,996	20,029	27,129	133
Libraries	70,183	59,230	86,413	16,230
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	31,150	44,266	44,266	13,116
Soil Conservation	144,925	54,400	144,726	(199)
<u>Other Operations</u>				
Industrial Development	2,937	2,300	2,900	(37)
Housing and Urban Development	0	0	6,094	6,094
Other Economic and Community Development	5,714	500	500	(5,214)
Airport	7,013	4,400	4,050	(2,963)
Other Charges	324,738	338,259	348,721	23,983
Contributions to Other Agencies	28,259	28,665	28,665	406
Employee Benefits	167,537	149,000	197,000	29,463
Miscellaneous	109,978	89,500	105,000	(4,978)
<u>Highways</u>				
Litter and Trash Collection	48,427	39,237	39,237	(9,190)
Total Expenditures	<u>\$ 5,373,822</u>	<u>\$ 4,870,661</u>	<u>\$ 5,517,316</u>	<u>\$ 143,494</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (278,884)</u>	<u>\$ 55,568</u>	<u>\$ (97,688)</u>	<u>\$ (181,196)</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	<u>\$ 170,000</u>	<u>\$ 0</u>	<u>\$ 170,000</u>	<u>\$ 0</u>
Total Other Financing Sources (Uses)	<u>\$ 170,000</u>	<u>\$ 0</u>	<u>\$ 170,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ (108,884)</u>	<u>\$ 55,568</u>	<u>\$ 72,312</u>	<u>\$ (181,196)</u>
Fund Balance, July 1, 2011	<u>(46,469)</u>	<u>53,357</u>	<u>53,357</u>	<u>(99,826)</u>
Fund Balance, June 30, 2012	<u>\$ (155,353)</u>	<u>\$ 108,925</u>	<u>\$ 125,669</u>	<u>\$ (281,022)</u>

Exhibit E-2

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 392,704	\$ 403,188	\$ 403,988	\$ (11,284)
Other Local Revenues	12,153	12,000	12,471	(318)
State of Tennessee	4,677	7,500	7,500	(2,823)
Total Revenues	<u>\$ 409,534</u>	<u>\$ 422,688</u>	<u>\$ 423,959</u>	<u>\$ (14,425)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 261,378	\$ 261,614	\$ 281,784	\$ 20,406
Convenience Centers	186,878	178,714	189,364	2,486
<u>Other Operations</u>				
Other Charges	7,918	8,000	8,200	282
Total Expenditures	<u>\$ 456,174</u>	<u>\$ 448,328</u>	<u>\$ 479,348</u>	<u>\$ 23,174</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (46,640)</u>	<u>\$ (25,640)</u>	<u>\$ (55,389)</u>	<u>\$ 8,749</u>
Net Change in Fund Balance	\$ (46,640)	\$ (25,640)	\$ (55,389)	\$ 8,749
Fund Balance, July 1, 2011	<u>54,118</u>	<u>54,626</u>	<u>54,626</u>	<u>(508)</u>
Fund Balance, June 30, 2012	<u>\$ 7,478</u>	<u>\$ 28,986</u>	<u>\$ (763)</u>	<u>\$ 8,241</u>

Exhibit E-3

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 215,931	\$ 0	\$ 215,931	\$ 195,200	\$ 210,880	\$ 5,051
Other Local Revenues	101,224	0	101,224	53,000	96,566	4,658
State of Tennessee	1,983,762	0	1,983,762	1,349,000	1,885,875	97,887
Federal Government	1,082,649	0	1,082,649	0	578,585	504,064
Total Revenues	\$ 3,383,566	\$ 0	\$ 3,383,566	\$ 1,597,200	\$ 2,771,906	\$ 611,660
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 136,625	\$ 0	\$ 136,625	\$ 142,044	\$ 143,044	\$ 6,419
Highway and Bridge Maintenance	2,382,890	741,289	3,124,179	1,158,052	2,144,736	(979,443)
Operation and Maintenance of Equipment	499,547	0	499,547	460,000	527,642	28,095
Other Charges	52,898	0	52,898	67,250	65,250	12,352
Employee Benefits	120,729	0	120,729	115,000	122,953	2,224
Capital Outlay	1,103,529	623,883	1,727,412	46,000	292,288	(1,435,124)
Principal on Debt						
Highways and Streets	65,870	0	65,870	77,000	67,939	2,069
Interest on Debt	9,062	0	9,062	0	9,062	0
Highways and Streets	4,371,150	1,365,172	5,736,322	2,065,346	3,372,914	(2,363,408)
Total Expenditures	\$ 4,371,150	\$ 1,365,172	\$ 5,736,322	\$ 2,065,346	\$ 3,372,914	\$ (2,363,408)
Excess (Deficiency) of Revenues Over Expenditures	\$ (987,584)	\$ (1,365,172)	\$ (2,352,756)	\$ (468,146)	\$ (601,008)	\$ (1,751,748)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 100,000	\$ 0	\$ 100,000	\$ 0	\$ 100,000	\$ 0
Total Other Financing Sources (Uses)	\$ 100,000	\$ 0	\$ 100,000	\$ 0	\$ 100,000	\$ 0

(Continued)

Exhibit E-3

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (887,584) 757,953	\$ (1,365,172) 0	\$ (2,252,756) 757,953	\$ (468,146) 565,784	\$ (501,008) 565,784	\$ (1,751,748) 192,169
Fund Balance, June 30, 2012	\$ (129,631)	\$ (1,365,172)	\$ (1,494,803)	\$ 97,638	\$ 64,776	\$ (1,559,579)

Exhibit E-4

Jackson County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Jackson County School Department  
June 30, 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-11	\$ 6,672	\$ 6,756	\$ 84	98.75 %	\$ 3,485	2.42 %
6-30-09	5,141	5,232	92	98.25	3,171	2.89
6-30-07	4,591	4,689	98	97.91	2,599	3.77

Exhibit E-5

Jackson County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Jackson County School Department  
June 30, 2012

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Local Education Group	7-1-09	\$ 0	\$ 1,237	\$ 1,237	0%	\$ 3,511	35 %
"	7-1-10	0	1,280	1,280	0	3,629	35
"	7-1-11	0	1,460	1,460	0	5,773	26

**JACKSON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2012**

**A. BUDGETARY INFORMATION**

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

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

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

At June 30, 2012, Jackson County reported the following significant encumbrance in the Highway/Public Works Fund:

<u>Description</u>	<u>Amount</u>
Road and Bridge Construction	\$ 1,365,172

**B. FUND DEFICITS**

The General and Highway/Public Works funds deficits in unassigned fund balances of \$278,418 and \$129,631, respectively, at June 30, 2012. The General Fund deficit resulted from the failure of estimated revenues to materialize, the overestimation of the beginning fund balance, and the failure to correct the finding noted in the prior-year audit report. This deficit is expected to be liquidated from tax collections subsequent to June 30, 2012. The Highway/Public Works Fund deficit resulted from the recognition of \$311,177 in unrecorded contract liabilities. This deficit is expected to be liquidated from federal grants subsequent to June 30, 2012.

**C. EXPENDITURES EXCEEDED APPROPRIATIONS**

1. Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Category</u>	<u>Amount Overspent</u>
Board of Equalization	\$ 210
Other Administration of Justice	323
Drug Enforcement	43
Jail	2,085
Other Public Safety	2,000
Soil Conservation	199
Industrial Development	37
Other Economic and Community Development	5,214
Airport	2,963
Miscellaneous	4,978
Litter and Trash Collection	9,190

2. Expenditures exceeded total appropriations approved by the County Commission in the Highway/Public Works Fund by \$2,363,408.
3. Fifteen salary line-items exceeded appropriations approved by the County Commission in the General Fund by amounts ranging from \$100 to \$5,238. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**D. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS IN THE SOLID WASTE/SANITATION FUND**

The budget and subsequent amendments submitted to and approved by the County Commission for the Solid Waste/Sanitation Fund resulted in appropriations exceeding estimated available funding by \$763. Sound budgetary principles dictate that appropriations be held within estimated available funding.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

## Capital Projects Fund

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Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for revenues and expenditures related to industrial buildings owned by the county.

Exhibit F-1

Jackson County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total		
\$	0 \$	18,865 \$	18,865 \$	0 \$	18,865
	33,548	0	33,548	78,792	112,340
	0	1,139	1,139	0	1,139
\$	33,548 \$	20,004 \$	53,552 \$	78,792 \$	132,344

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Accounts Receivable	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>					
Due to Other Funds	0 \$	20,004 \$	20,004 \$	0 \$	20,004
Total Liabilities	0 \$	20,004 \$	20,004 \$	0 \$	20,004
<u>Fund Balances</u>					
Restricted:					
Restricted for Public Safety	33,548 \$	0 \$	33,548 \$	0 \$	33,548
Restricted for Capital Projects	0	0	0	6,238	6,238
Committed:					
Committed for Administration of Justice	0	0	0	727	727
Committed for Other Operations	0	0	0	71,827	71,827
Total Fund Balances	33,548 \$	0 \$	33,548 \$	78,792 \$	112,340
Total Liabilities and Fund Balances	33,548 \$	20,004 \$	53,552 \$	78,792 \$	132,344

Jackson County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2012

	Special Revenue Funds			Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees			Development/Industrial Park		
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 35,397	\$ 0	\$ 0	\$ 35,397	\$ 0	\$ 0	\$ 35,397
Charges for Current Services	0	20,033	0	20,033	0	0	20,033
Other Local Revenues	500	0	0	500	12,697	0	13,197
Total Revenues	\$ 35,897	\$ 20,033	\$ 0	\$ 55,930	\$ 12,697	\$ 0	\$ 68,627
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,722	\$ 0	\$ 81,722
Administration of Justice	0	20,033	0	20,033	0	0	20,033
Public Safety	9,998	0	0	9,998	0	0	9,998
Other Operations	0	0	0	0	5,120	0	5,120
Total Expenditures	\$ 9,998	\$ 20,033	\$ 0	\$ 30,031	\$ 86,842	\$ 0	\$ 116,873
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,899	\$ 0	\$ 0	\$ 25,899	\$ (74,145)	\$ 0	\$ (48,246)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,000	\$ 0	\$ 85,000
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,000	\$ 0	\$ 85,000
Net Change in Fund Balances	\$ 25,899	\$ 0	\$ 0	\$ 25,899	\$ 10,855	\$ 0	\$ 36,754
Fund Balance, July 1, 2011	7,649	0	0	7,649	67,937	0	75,586
Fund Balance, June 30, 2012	\$ 33,548	\$ 0	\$ 0	\$ 33,548	\$ 78,792	\$ 0	\$ 112,340

Exhibit F-3

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 35,397	\$ 5,000	\$ 9,414	\$ 25,983
Other Local Revenues	500	0	0	500
Total Revenues	<u>\$ 35,897</u>	<u>\$ 5,000</u>	<u>\$ 9,414</u>	<u>\$ 26,483</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 9,998	\$ 7,000	\$ 37,699	\$ 27,701
Total Expenditures	<u>\$ 9,998</u>	<u>\$ 7,000</u>	<u>\$ 37,699</u>	<u>\$ 27,701</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 25,899</u>	<u>\$ (2,000)</u>	<u>\$ (28,285)</u>	<u>\$ 54,184</u>
Net Change in Fund Balance	\$ 25,899	\$ (2,000)	\$ (28,285)	\$ 54,184
Fund Balance, July 1, 2011	<u>7,649</u>	<u>6,922</u>	<u>6,922</u>	<u>727</u>
Fund Balance, June 30, 2012	<u><u>\$ 33,548</u></u>	<u><u>\$ 4,922</u></u>	<u><u>\$ (21,363)</u></u>	<u><u>\$ 54,911</u></u>

# **Major Governmental Funds**

## **General Debt Service Fund**

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The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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Exhibit G

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 42,614	\$ 31,974	\$ 31,974	\$ 10,640
State of Tennessee	350,000	350,000	350,000	0
Total Revenues	<u>\$ 392,614</u>	<u>\$ 381,974</u>	<u>\$ 381,974</u>	<u>\$ 10,640</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 3,000	\$ 8,000	\$ 8,000	\$ 5,000
<u>Principal on Debt</u>				
General Government	317,219	314,979	325,029	7,810
<u>Interest on Debt</u>				
General Government	45,090	163,038	144,708	99,618
<u>Other Debt Service</u>				
General Government	18,610	5,000	23,310	4,700
Total Expenditures	<u>\$ 383,919</u>	<u>\$ 491,017</u>	<u>\$ 501,047</u>	<u>\$ 117,128</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,695</u>	<u>\$ (109,043)</u>	<u>\$ (119,073)</u>	<u>\$ 127,768</u>
Net Change in Fund Balance	\$ 8,695	\$ (109,043)	\$ (119,073)	\$ 127,768
Fund Balance, July 1, 2011	<u>1,493,998</u>	<u>1,445,671</u>	<u>1,445,671</u>	<u>48,327</u>
Fund Balance, June 30, 2012	<u>\$ 1,502,693</u>	<u>\$ 1,336,628</u>	<u>\$ 1,326,598</u>	<u>\$ 176,095</u>

# Fiduciary Funds

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Jackson County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2012

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 852,407	\$ 852,407
Due from Other Governments	42,921	0	42,921
Total Assets	<u>\$ 42,921</u>	<u>\$ 852,407</u>	<u>\$ 895,328</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 42,921	\$ 0	\$ 42,921
Due to Litigants, Heirs, and Others	0	852,407	852,407
Total Liabilities	<u>\$ 42,921</u>	<u>\$ 852,407</u>	<u>\$ 895,328</u>

Exhibit H-2

Jackson County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 264,384	\$ 264,384	\$ 0
Due from Other Governments	45,099	42,921	45,099	42,921
Total Assets	\$ 45,099	\$ 307,305	\$ 309,483	\$ 42,921
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 45,099	\$ 307,305	\$ 309,483	\$ 42,921
Total Liabilities	\$ 45,099	\$ 307,305	\$ 309,483	\$ 42,921
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 283,810	\$ 3,617,534	\$ 3,048,937	\$ 852,407
Total Assets	\$ 283,810	\$ 3,617,534	\$ 3,048,937	\$ 852,407
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 283,810	\$ 3,617,534	\$ 3,048,937	\$ 852,407
Total Liabilities	\$ 283,810	\$ 3,617,534	\$ 3,048,937	\$ 852,407
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 283,810	\$ 3,617,534	\$ 3,048,937	\$ 852,407
Equity in Pooled Cash and Investments	0	264,384	264,384	0
Due from Other Governments	45,099	42,921	45,099	42,921
Total Assets	\$ 328,909	\$ 3,924,839	\$ 3,358,420	\$ 895,328
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 45,099	\$ 307,305	\$ 309,483	\$ 42,921
Due to Litigants, Heirs, and Others	283,810	3,617,534	3,048,937	852,407
Total Liabilities	\$ 328,909	\$ 3,924,839	\$ 3,358,420	\$ 895,328

# Jackson County School Department

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This section presents combining and individual fund financial statements for the Jackson County School Department, a discretely presented component unit. The Jackson County School Department uses a General Fund, two Special Revenue Funds, and a Capital Projects Fund.

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

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

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations in the School Department. This fund closed during the year ended June 30, 2012.

Exhibit I-1

Jackson County, Tennessee  
Statement of Activities  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 7,488,693	\$ 33,183	\$ 1,703,272	\$ (5,752,238)
Support Services	4,376,587	0	0	(4,376,587)
Operation of Non-Instructional Services	1,320,537	209,674	791,739	(319,124)
Interest on Long-term Debt	32,912	0	0	(32,912)
Other Debt Service	50,619	0	0	(50,619)
Total Governmental Activities	\$ 13,269,348	\$ 242,857	\$ 2,495,011	\$ (10,531,480)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,676,203
Local Option Sales Taxes				514,008
Wheel Tax				172,305
Other Local Taxes				1,024
Grants and Contributions Not Restricted to Specific Programs				9,251,578
Unrestricted Investment Earnings				411
Miscellaneous				21,064
Total General Revenues				\$ 11,636,593
Change in Net Assets				\$ 1,105,113
Net Assets, July 1, 2011				9,276,629
Prior-period Adjustment				88,504
Net Assets, June 30, 2012				\$ 10,470,246

Exhibit I-2

Jackson County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Jackson County School Department  
June 30, 2012

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Central</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Cafeteria</u>	<u>Funds</u>
			<u>Fund</u>	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 5,983,588	\$ 239,135	\$ 333,649	\$ 6,556,372
Inventories	0	0	19,964	19,964
Accounts Receivable	32,906	0	0	32,906
Due from Other Governments	227,745	9,894	4,530	242,169
Due from Other Funds	0	12,011	0	12,011
Property Taxes Receivable	1,770,035	0	0	1,770,035
Allowance for Uncollectible Property Taxes	(77,623)	0	0	(77,623)
<b>Total Assets</b>	<b>\$ 7,936,651</b>	<b>\$ 261,040</b>	<b>\$ 358,143</b>	<b>\$ 8,555,834</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accrued Payroll	\$ 2,829	\$ 0	\$ 0	\$ 2,829
Due to Other Funds	12,011	0	0	12,011
Due to State of Tennessee	3,163	0	0	3,163
Deferred Revenue - Current Property Taxes	1,597,526	0	0	1,597,526
Deferred Revenue - Delinquent Property Taxes	89,658	0	0	89,658
Other Deferred Revenues	46,776	0	0	46,776
<b>Total Liabilities</b>	<b>\$ 1,751,963</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,751,963</b>
<u>Fund Balances</u>				
Nonspendable:				
Inventory	\$ 0	\$ 0	\$ 19,964	\$ 19,964
Restricted:				
Restricted for Education	24,553	136,040	338,179	498,772
Committed:				
Committed for Education	4,715,733	125,000	0	4,840,733
Assigned:				
Assigned for Education	154,031	0	0	154,031
Unassigned	1,290,371	0	0	1,290,371
<b>Total Fund Balances</b>	<b>\$ 6,184,688</b>	<b>\$ 261,040</b>	<b>\$ 358,143</b>	<b>\$ 6,803,871</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,936,651</b>	<b>\$ 261,040</b>	<b>\$ 358,143</b>	<b>\$ 8,555,834</b>

Exhibit I-3

Jackson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Jackson County School Department  
June 30, 2012

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 6,803,871	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 173,658		
Add: construction in progress	39,299		
Add: buildings and improvements net of accumulated depreciation	11,028,068		
Add: other capital assets net of accumulated depreciation	<u>683,722</u>	11,924,747	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loans payable	\$ (8,071,000)		
Add: deferred charges - debt issuance costs	20,921		
Less: other postemployment benefits liabilities	<u>(344,727)</u>	(8,394,806)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
Add: other deferred revenues		<u>136,434</u>	
Net assets of governmental activities (Exhibit A)			<u>\$ 10,470,246</u>

Exhibit I-4

Jackson County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
			<u>Other</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Govern-</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>mental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>				
Local Taxes	\$ 2,350,629	\$ 0	\$ 0	\$ 2,350,629
Licenses and Permits	931	0	0	931
Charges for Current Services	33,183	0	208,074	241,257
Other Local Revenues	41,325	1,349	411	43,085
State of Tennessee	8,970,155	0	0	8,970,155
Federal Government	310,210	1,655,895	782,992	2,749,097
<b>Total Revenues</b>	<b>\$ 11,706,433</b>	<b>\$ 1,657,244</b>	<b>\$ 991,477</b>	<b>\$ 14,355,154</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 5,770,490	\$ 1,236,968	\$ 0	\$ 7,007,458
Support Services	3,970,918	409,444	0	4,380,362
Operation of Non-Instructional Services	434,510	0	886,027	1,320,537
Capital Outlay	212,661	0	0	212,661
Debt Service:				
Principal on Debt	391,000	0	0	391,000
Interest on Debt	32,912	0	0	32,912
Other Debt Service	47,223	0	0	47,223
Capital Projects	0	0	27,714	27,714
<b>Total Expenditures</b>	<b>\$ 10,859,714</b>	<b>\$ 1,646,412</b>	<b>\$ 913,741</b>	<b>\$ 13,419,867</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 846,719	\$ 10,832	\$ 77,736	\$ 935,287
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 88,191	\$ 0	\$ 0	\$ 88,191
Transfers Out	0	(28,191)	(60,000)	(88,191)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 88,191</b>	<b>\$ (28,191)</b>	<b>\$ (60,000)</b>	<b>\$ 0</b>
Net Change in Fund Balances	\$ 934,910	\$ (17,359)	\$ 17,736	\$ 935,287
Fund Balance, July 1, 2011	5,139,212	278,399	450,973	5,868,584
Prior-period Adjustment	110,566	0	(110,566)	0
<b>Fund Balance, June 30, 2012</b>	<b>\$ 6,184,688</b>	<b>\$ 261,040</b>	<b>\$ 358,143</b>	<b>\$ 6,803,871</b>

Exhibit I-5

Jackson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 935,287
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 237,310	
Less: current-year depreciation expense	<u>(371,433)</u>	(134,123)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2012	\$ 136,434	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(117,127)</u>	19,307
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Add: principal payments on other loans	\$ 391,000	
Less: change in deferred debt issuance costs	<u>(3,396)</u>	387,604
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Change in other postemployment benefits liabilities		<u>(102,962)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,105,113</u>

Exhibit I-6

Jackson County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

	Special Revenue Fund	Capital Projects Education Capital Projects	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 208,074	\$ 0	\$ 208,074
Other Local Revenues	411	0	411
Federal Government	782,992	0	782,992
Total Revenues	<u>\$ 991,477</u>	<u>\$ 0</u>	<u>\$ 991,477</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 886,027	\$ 0	\$ 886,027
Capital Projects	0	27,714	27,714
Total Expenditures	<u>\$ 886,027</u>	<u>\$ 27,714</u>	<u>\$ 913,741</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 105,450</u>	<u>\$ (27,714)</u>	<u>\$ 77,736</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (60,000)	\$ 0	\$ (60,000)
Total Other Financing Sources (Uses)	<u>\$ (60,000)</u>	<u>\$ 0</u>	<u>\$ (60,000)</u>
Net Change in Fund Balances	\$ 45,450	\$ (27,714)	\$ 17,736
Fund Balance, July 1, 2011	312,693	138,280	450,973
Prior-period Adjustment	0	(110,566)	(110,566)
Fund Balance, June 30, 2012	<u>\$ 358,143</u>	<u>\$ 0</u>	<u>\$ 358,143</u>

Exhibit I-7

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Jackson County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,350,629	\$ 0	\$ 0	\$ 2,350,629	\$ 2,408,600	\$ 2,408,600	\$ (57,971)
Licenses and Permits	931	0	0	931	900	900	31
Charges for Current Services	33,183	0	0	33,183	28,000	28,000	5,183
Other Local Revenues	41,325	0	0	41,325	54,200	54,200	(12,875)
State of Tennessee	8,970,155	0	0	8,970,155	8,920,813	8,986,610	(16,455)
Federal Government	310,210	0	0	310,210	288,746	306,935	3,275
Total Revenues	\$ 11,706,433	\$ 0	\$ 0	\$ 11,706,433	\$ 11,711,259	\$ 11,785,245	\$ (78,812)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,511,610	(3,430)	\$ 5,426	\$ 4,513,606	\$ 5,106,398	\$ 5,115,843	\$ 602,237
Alternative Instruction Program	94,294	0	0	94,294	106,547	106,547	12,253
Special Education Program	603,713	0	0	603,713	643,681	643,681	39,968
Vocational Education Program	484,652	0	0	484,652	516,518	516,518	31,866
Adult Education Program	76,221	0	36	76,257	57,747	83,151	6,894
<u>Support Services</u>							
Attendance	99,305	0	0	99,305	103,330	103,330	4,025
Health Services	174,743	0	0	174,743	179,650	179,650	4,907
Other Student Support	118,896	0	0	118,896	224,896	224,896	106,000
Regular Instruction Program	363,492	0	0	363,492	519,171	509,726	146,234
Special Education Program	126,233	0	0	126,233	133,213	133,213	6,980
Vocational Education Program	14,348	0	0	14,348	15,696	15,696	1,348
Adult Programs	30,361	0	0	30,361	28,866	31,462	1,101
Other Programs	45,986	0	0	45,986	0	45,986	0

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Board of Education	\$ 280,875	\$ (2,500)	\$ 0	\$ 278,375	\$ 300,026	\$ 300,026	\$ 21,651
Director of Schools	108,974	0	0	108,974	119,379	119,379	10,405
Office of the Principal	566,887	0	0	566,887	643,229	643,229	76,342
Fiscal Services	200,290	0	7,379	207,669	230,525	230,525	22,856
Operation of Plant	805,304	(1,324)	15,000	818,980	929,020	929,020	110,040
Maintenance of Plant	211,873	(8,661)	17,359	220,571	221,272	241,272	20,701
Transportation	823,351	(1,527)	2,381	824,205	925,684	925,684	101,479
<u>Operation of Non-Instructional Services</u>							
Food Service	70,974	0	0	70,974	75,220	75,220	4,246
Community Services	52,702	0	0	52,702	55,959	55,959	3,257
Early Childhood Education	310,834	(3)	0	310,831	310,831	310,831	0
<u>Capital Outlay</u>							
Regular Capital Outlay	212,661	(72,280)	106,450	246,831	275,000	275,000	28,169
<u>Principal on Debt</u>							
Education	391,000	0	0	391,000	391,000	391,000	0
Interest on Debt							
Education	32,912	0	0	32,912	361,701	361,701	328,789
<u>Other Debt Service</u>							
Education	47,223	0	0	47,223	102,400	102,400	55,177
Total Expenditures	\$ 10,859,714	\$ (89,725)	\$ 154,031	\$ 10,924,020	\$ 12,576,959	\$ 12,670,945	\$ 1,746,925
Excess (Deficiency) of Revenues Over Expenditures	\$ 846,719	\$ 89,725	\$ (154,031)	\$ 782,413	\$ (865,700)	\$ (885,700)	\$ 1,668,113

(Continued)

Exhibit I-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 88,191	\$ 0	\$ 0	\$ 88,191	\$ 84,000	\$ 84,000	\$ 4,191
Transfers Out	0	0	0	0	(10,400)	(10,400)	10,400
Total Other Financing Sources (Uses)	\$ 88,191	\$ 0	\$ 0	\$ 88,191	\$ 73,600	\$ 73,600	\$ 14,591
Net Change in Fund Balance	\$ 934,910	\$ 89,725	\$ (154,031)	\$ 870,604	\$ (792,100)	\$ (812,100)	\$ 1,682,704
Fund Balance, July 1, 2011	5,139,212	(89,725)	0	5,049,487	792,100	5,058,000	(8,513)
Prior-period Adjustment	110,566	0	0	110,566	0	0	110,566
Fund Balance, June 30, 2012	\$ 6,184,688	\$ 0	\$ (154,031)	\$ 6,030,657	\$ 0	\$ 4,245,900	\$ 1,784,757

Exhibit I-8

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Jackson County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Add: Encumbrances 6/30/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 1,349	\$ 0	\$ 0	\$ 1,349	\$ 0	\$ 0	\$ 1,349
Federal Government	1,655,895	0	0	1,655,895	2,646,000	2,651,238	(995,343)
Total Revenues	\$ 1,657,244	\$ 0	\$ 0	\$ 1,657,244	\$ 2,646,000	\$ 2,651,238	\$ (993,994)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 789,015	\$ (4,769)	\$ 20,119	\$ 804,365	\$ 988,558	\$ 990,488	\$ 186,123
Special Education Program	424,278	0	0	424,278	945,237	951,304	527,026
Vocational Education Program	23,675	0	0	23,675	23,039	23,676	1
<u>Support Services</u>							
Other Student Support	153,967	0	0	153,967	167,476	159,614	5,647
Regular Instruction Program	223,084	(2,500)	210	220,794	387,179	398,467	177,673
Special Education Program	23,750	0	0	23,750	111,500	104,942	81,192
Vocational Education Program	940	0	0	940	1,200	940	0
Office of the Principal	4,084	0	0	4,084	5,836	5,836	1,752
Transportation	3,619	0	0	3,619	26,179	26,179	22,560
Total Expenditures	\$ 1,646,412	\$ (7,269)	\$ 20,329	\$ 1,659,472	\$ 2,656,204	\$ 2,661,446	\$ 1,001,974
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,832	\$ 7,269	\$ (20,329)	\$ (2,228)	\$ (10,204)	\$ (10,208)	\$ 7,980
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,000	\$ 0	\$ 0
Transfers Out	(28,191)	0	0	(28,191)	(90,296)	(37,292)	9,101
Total Other Financing Sources (Uses)	\$ (28,191)	\$ 0	\$ 0	\$ (28,191)	\$ (37,296)	\$ (37,292)	\$ 9,101
Net Change in Fund Balance Fund Balance, July 1, 2011	\$ (17,359)	\$ 7,269	\$ (20,329)	\$ (30,419)	\$ (47,500)	\$ (47,500)	\$ 17,081
Fund Balance, July 1, 2011	278,399	(7,269)	0	271,130	47,500	47,500	223,630
Fund Balance, June 30, 2012	\$ 261,040	\$ 0	\$ (20,329)	\$ 240,711	\$ 0	\$ 0	\$ 240,711

Exhibit I-9

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Jackson County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 208,074	\$ 280,000	\$ 280,000	\$ (71,926)
Other Local Revenues	411	1,000	1,000	(589)
Federal Government	782,992	770,000	820,000	(37,008)
Total Revenues	<u>\$ 991,477</u>	<u>\$ 1,051,000</u>	<u>\$ 1,101,000</u>	<u>\$ (109,523)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 886,027	\$ 1,029,772	\$ 1,079,772	\$ 193,745
Total Expenditures	<u>\$ 886,027</u>	<u>\$ 1,029,772</u>	<u>\$ 1,079,772</u>	<u>\$ 193,745</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 105,450	\$ 21,228	\$ 21,228	\$ 84,222
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (60,000)	\$ (65,000)	\$ (65,000)	\$ 5,000
Total Other Financing Sources (Uses)	<u>\$ (60,000)</u>	<u>\$ (65,000)</u>	<u>\$ (65,000)</u>	<u>\$ 5,000</u>
Net Change in Fund Balance	\$ 45,450	\$ (43,772)	\$ (43,772)	\$ 89,222
Fund Balance, July 1, 2011	312,693	43,772	283,438	29,255
Fund Balance, June 30, 2012	<u>\$ 358,143</u>	<u>\$ 0</u>	<u>\$ 239,666</u>	<u>\$ 118,477</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Jackson County, Tennessee  
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
Primary Government and Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction	\$ 300,000	3.39 %	3-1-07	3-1-13	\$ 166,667	\$ 0	\$ 33,333	\$ 133,334
Garbage Truck	208,891	3.75	10-22-09	10-22-14	170,128	0	40,216	129,912
Ambulance	104,500	3.39	3-29-10	3-29-13	70,821	0	34,820	36,001
Sheriff's Department Vehicles	195,218	3.69	6-2-11	6-2-15	195,218	0	46,184	149,034
Ambulances	170,000	3.69	8-19-11	8-19-15	0	170,000	0	170,000
Courthouse Stone Repairs	85,000	3	10-6-11	10-6-14	0	85,000	0	85,000
Total Payable through General Debt Service Fund					\$ 602,834	\$ 255,000	\$ 154,553	\$ 703,281
<u>Payable through Highway/Public Works Fund</u>								
Street and Road Improvements	150,000	4	7-13-09	7-13-14	\$ 122,304	\$ 0	\$ 28,804	\$ 93,500
Street and Road Improvements	100,000	3.38	6-17-10	6-17-14	76,226	0	24,578	51,648
Backhoe	49,950	3.19	11-5-10	11-5-14	49,950	0	12,488	37,462
Grader Rebuild	100,000	2.49	12-30-11	12-29-15	0	100,000	0	100,000
Total Payable through Highway/Public Works Fund					\$ 248,480	\$ 100,000	\$ 65,870	\$ 282,610
Total Notes Payable					\$ 851,314	\$ 355,000	\$ 220,423	\$ 985,891
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction	3,500,000	Variable	8-9-04	5-25-29	\$ 2,842,000	\$ 0	\$ 121,000	\$ 2,721,000
Jail Construction	1,200,000	Variable	10-23-06	5-25-31	1,084,000	0	33,000	1,051,000
Total Other Loans Payable					\$ 3,926,000	\$ 0	\$ 154,000	\$ 3,772,000

(Continued)

Exhibit J-1

Jackson County, Tennessee  
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
Primary Government and Discretely Presented Jackson County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Industrial Park (F.H.A.)	\$ 110,000	5 %	8-29-1975	1-1-15	\$ 23,000	0 \$	5,400 \$	17,600
Public Works (F.H.A.)	26,000	5	4-28-1978	1-1-18	8,500	0	1,000	7,500
Health Department (USDA)	194,600	4	2-22-11	2-22-49	194,600	0	2,266	192,334
Total Bonds Payable					\$ 226,100	0 \$	8,666 \$	217,434
<u>DISCRETELY PRESENTED JACKSON COUNTY SCHOOL DEPARTMENT</u>								
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Construction	6,300,000	Variable	3-5-01	5-25-29	\$ 5,087,000	0 \$	181,000 \$	4,906,000
Refunding/School Construction	3,765,000	Variable	12-15-09	5-25-29	3,375,000	0	210,000	3,165,000
Total Other Loans Payable					\$ 8,462,000	0 \$	391,000 \$	8,071,000

Exhibit J-2

Jackson County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Jackson County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	\$ 418,204	\$ 32,994	\$ 451,198
2014	257,140	19,845	276,985
2015	239,781	10,786	250,567
2016	70,766	2,300	73,066
Total	<u>\$ 985,891</u>	<u>\$ 65,925</u>	<u>\$ 1,051,816</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	\$ 159,000	\$ 18,483	\$ 18,264	\$ 195,747
2014	165,000	17,703	17,581	200,284
2015	171,000	16,895	16,871	204,766
2016	177,000	16,058	16,135	209,193
2017	183,000	15,190	15,374	213,564
2018	189,000	14,293	14,587	217,880
2019	195,000	13,367	13,774	222,141
2020	202,000	12,412	12,935	227,347
2021	209,000	11,422	12,066	232,488
2022	216,000	10,398	11,168	237,566
2023	224,000	9,339	10,238	243,577
2024	232,000	8,242	9,275	249,517
2025	240,000	7,105	8,277	255,382
2026	248,000	5,929	7,245	261,174
2027	257,000	4,714	6,178	267,892
2028	267,000	3,454	5,073	275,527
2029	276,000	2,146	3,924	282,070
2030	79,000	794	1,717	81,511
2031	83,000	407	1,377	84,784
Total	<u>\$ 3,772,000</u>	<u>\$ 188,351</u>	<u>\$ 202,059</u>	<u>\$ 4,162,410</u>

(Continued)

Exhibit J-2

Jackson County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Jackson County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bonds		
	Principal	Interest	Total
2013	\$ 9,057	\$ 8,331	\$ 17,388
2014	9,351	8,529	17,880
2015	9,549	8,096	17,645
2016	4,151	7,624	11,775
2017	4,257	7,443	11,700
2018	4,367	7,258	11,625
2019	2,982	7,068	10,050
2020	3,101	6,949	10,050
2021	3,225	6,825	10,050
2022	3,354	6,696	10,050
2023	3,488	6,562	10,050
2024	3,628	6,422	10,050
2025	3,773	6,277	10,050
2026	3,924	6,126	10,050
2027	4,081	5,969	10,050
2028	4,244	5,806	10,050
2029	4,414	5,636	10,050
2030	4,590	5,460	10,050
2031	4,774	5,276	10,050
2032	4,965	5,085	10,050
2033	5,164	4,886	10,050
2034	5,370	4,680	10,050
2035	5,585	4,465	10,050
2036	5,808	4,242	10,050
2037	6,041	4,009	10,050
2038	6,282	3,768	10,050
2039	6,534	3,516	10,050
2040	6,795	3,255	10,050
2041	7,067	2,983	10,050
2042	7,349	2,701	10,050
2043	7,643	2,407	10,050
2044	7,949	2,101	10,050
2045	8,267	1,783	10,050
2046	8,598	1,452	10,050
2047	8,942	1,108	10,050
2048	9,299	751	10,050
2049	9,466	584	10,050
Total	\$ 217,434	\$ 182,129	\$ 399,563

(Continued)

Exhibit J-2

Jackson County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Jackson County School Department (Cont.)

DISCRETELY PRESENTED JACKSON  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2013	\$ 405,000	\$ 33,898	\$ 44,500	\$ 483,398
2014	434,000	32,197	42,088	508,285
2015	449,000	30,374	39,481	518,855
2016	475,000	28,489	36,799	540,288
2017	491,000	26,494	33,956	551,450
2018	507,000	24,431	31,036	562,467
2019	534,000	22,302	28,039	584,341
2020	387,000	20,059	24,876	431,935
2021	408,000	18,434	22,999	449,433
2022	428,000	16,721	21,017	465,738
2023	447,000	14,923	18,940	480,863
2024	470,000	13,045	16,775	499,820
2025	491,000	11,071	14,499	516,570
2026	513,000	9,009	12,129	534,138
2027	531,000	6,854	9,661	547,515
2028	550,000	4,624	7,134	561,758
2029	551,000	2,314	4,543	557,857
Total	\$ 8,071,000	\$ 315,239	\$ 408,472	\$ 8,794,711

Exhibit J-3

Jackson County, Tennessee  
Schedule of Transfers  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects Central Cafeteria	General Purpose School "	Indirect costs Supervisor's salary	\$ 28,191 <u>60,000</u>
Total Transfers Discretely Presented Jackson County School Department			<u>\$ 88,191</u>

Exhibit J-4

Jackson County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 60,350	\$ 25,000	Western Surety Company
Road Superintendent	Section 8-24-102, TCA, and Jackson County Commission	62,256 (1)	100,000	"
Director of Schools	State Board of Education and Jackson County Board of Education	76,201 (2)	(6)	
Trustee	Section 8-24-102, TCA	52,251	525,400	"
Assessor of Property	Section 8-24-102, TCA	52,251	10,000	"
County Clerk	Section 8-24-102, TCA	52,251	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA, and General Sessions Court Judge	52,251 (3)	25,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	52,251 (4)	25,000	"
Register	Section 8-24-102, TCA	52,251	15,000	"
Sheriff	Section 8-24-102, TCA	57,477 (5)	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) Includes an additional appropriation of \$4,779.
- (2) Includes a chief executive officer supplement of \$1,000.
- (3) Does not include special commissioner fees of \$13,820.
- (4) Does not include special commissioner fees of \$6,213.
- (5) Does not include a law enforcement training supplement of \$600.
- (6) The director of schools is covered by the \$150,000 employee blanket bond.

Exhibit J-5

Jackson County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2012

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Community Development/ Industrial Park	Total
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park				
<u>Local Taxes</u>											
<u>County Property Taxes</u>											
Current Property Tax	\$ 2,003,731	\$ 365,879	\$ 0	\$ 0	\$ 167,127	\$ 42,447	\$ 0	\$ 0	\$ 2,579,184		
Trustee's Collections - Prior Year	83,210	17,956	0	0	9,180	0	0	0	110,346		
Circuit/Clerk & Master Collections - Prior Years	15,012	3,287	0	0	2,377	0	0	0	20,676		
Interest and Penalty	22,699	4,077	0	0	1,906	42	0	0	28,724		
<u>County Local Option Taxes</u>											
Local Option Sales Tax	135,821	0	0	0	0	0	0	0	135,821		
Litigation Tax - General	18,418	0	0	0	0	0	0	0	18,418		
Litigation Tax - Jail, Workhouse, or Courthouse	19,066	0	0	0	0	0	0	0	19,066		
Business Tax	27,289	0	0	0	0	0	0	0	27,289		
Mineral Severance Tax	0	0	0	0	34,651	0	0	0	34,651		
<u>Statutory Local Taxes</u>											
Bank Excise Tax	8,215	1,505	0	0	690	125	0	0	10,535		
Wholesale Beer Tax	74,833	0	0	0	0	0	0	0	74,833		
Interstate Telecommunications Tax	658	0	0	0	0	0	0	0	658		
<u>Total Local Taxes</u>	\$ 2,408,952	\$ 392,704	\$ 0	\$ 0	\$ 215,931	\$ 42,614	\$ 0	\$ 0	\$ 3,060,201		
<u>Licenses and Permits</u>											
<u>Permits</u>											
Beer Permits	\$ 1,758	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,758		
<u>Total Licenses and Permits</u>	\$ 1,758	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,758		
<u>Fines, Forfeitures, and Penalties</u>											
<u>Circuit Court</u>											
Fines	\$ 935	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 935		
Officers Costs	2,385	0	0	0	0	0	0	0	2,385		
Data Entry Fee - Circuit Court	147	0	0	0	0	0	0	0	147		
Courtroom Security Fee	74	0	0	0	0	0	0	0	74		
<u>General Sessions Court</u>											
Fines	12,125	0	0	0	0	0	0	0	12,125		
Officers Costs	13,911	0	0	0	0	0	0	0	13,911		

(Continued)

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees		Highway / Public Works	General Debt Service				Community Development / Industrial Park
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>General Sessions Court (Cont.)</u>											
Drug Control Fines	1,306	0	5,601	0	0	0	0	0	6,907		
DUI Treatment Fines	2,260	0	10	0	0	0	0	0	2,270		
Data Entry Fee - General Sessions Court	2,535	0	0	0	0	0	0	0	2,535		
Courtroom Security Fee	155	0	0	0	0	0	0	0	155		
<u>Juvenile Court</u>											
Fines	157	0	0	0	0	0	0	0	157		
<u>Chancery Court</u>											
Officers Costs	227	0	0	0	0	0	0	0	227		
Data Entry Fee - Chancery Court	531	0	0	0	0	0	0	0	531		
<u>Other Courts - In-county</u>											
Officers Costs	8	0	0	0	0	0	0	0	8		
Drug Control Fines	71	0	777	0	0	0	0	0	848		
<u>Judicial District Drug Program</u>											
Courtroom Security Fee	30	0	0	0	0	0	0	0	30		
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	2,640	0	29,009	0	0	0	0	0	31,649		
Total Fines, Forfeitures, and Penalties	\$ 39,497	\$ 0	\$ 35,397	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,894		
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Other Employee Benefit Charges/Contributions	185	0	0	0	0	0	0	0	185		
Patient Charges	333,136	0	0	0	0	0	0	0	333,136		
<u>Fees</u>											
Copy Fees	1,903	0	0	0	0	0	0	0	1,903		
Library Fees	5,301	0	0	0	0	0	0	0	5,301		
Greenbelt Late Application Fee	300	0	0	0	0	0	0	0	300		
Telephone Commissions	15,951	0	0	0	0	0	0	0	15,951		
Vending Machine Collections	44	0	0	0	0	0	0	0	44		
Special Commissioner Fees/Special Master Fees	0	0	0	20,033	0	0	0	0	20,033		
Data Processing Fee - Register	4,256	0	0	0	0	0	0	0	4,256		

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Sexual Offender Registration Fees - Sheriff	\$ 2,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,545
Education Charges								
Tuition - Other	27,537	0	0	0	0	0	0	27,537
Total Charges for Current Services	\$ 391,158	\$ 0	\$ 0	\$ 20,033	\$ 0	\$ 0	\$ 0	\$ 411,191
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 53,093	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 53,093
Lease/Rentals	8,275	0	0	0	0	0	12,000	20,275
Sale of Materials and Supplies	34,280	0	0	0	2,767	0	0	37,047
Commissary Sales	22,811	0	0	0	0	0	0	22,811
Sale of Gasoline	3,737	0	0	0	69,656	0	0	73,393
Sale of Recycled Materials	0	11,763	0	0	0	0	0	11,763
Refund of Telecommunication & Internet Fees (E-Rate)	2,107	0	0	0	0	0	0	2,107
Miscellaneous Refunds	109,352	390	0	0	26,301	0	697	136,740
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	0	0	2,500	0	0	2,500
Contributions and Gifts	7,233	0	500	0	0	0	0	7,733
<u>Other Local Revenues</u>								
Other Local Revenues	8,175	0	0	0	0	0	0	8,175
Total Other Local Revenues	\$ 249,063	\$ 12,153	\$ 500	\$ 0	\$ 101,224	\$ 0	\$ 12,697	\$ 375,637
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 80,603	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,603
Circuit Court Clerk	14,414	0	0	0	0	0	0	14,414
General Sessions Court Clerk	54,053	0	0	0	0	0	0	54,053
Clerk and Master	23,175	0	0	0	0	0	0	23,175
Register	39,751	0	0	0	0	0	0	39,751
Sheriff	3,872	0	0	0	0	0	0	3,872

(Continued)

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total		
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund					Capital Projects Fund	
						General	Debt Service				Community Development/ Industrial	Park
<u>Fees Received from County Officials (Cont.)</u>												
<u>Fees in-Lieu-of Salary (Cont.)</u>												
Trustee	\$ 142,174	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 142,174		
Total Fees Received from County Officials	\$ 358,042	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 358,042		
<u>State of Tennessee</u>												
<u>General Government Grants</u>												
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000		
Aging Programs	10,272	0	0	0	0	0	0	0	0	10,272		
Solid Waste Grants	0	4,677	0	0	0	0	0	0	0	4,677		
Public Safety Grants												
Law Enforcement Training Programs	7,800	0	0	0	0	0	0	0	0	7,800		
Health and Welfare Grants												
Health Department Programs	5,378	0	0	0	0	0	0	0	0	5,378		
<u>Public Works Grants</u>												
State Aid Program	0	0	0	0	577,328	0	0	0	0	577,328		
Litter Program	26,380	0	0	0	0	0	0	0	0	26,380		
<u>Other State Revenues</u>												
Flood Control	3,528	0	0	0	0	0	0	0	0	3,528		
Income Tax	13,970	0	0	0	0	0	0	0	0	13,970		
Beer Tax	18,421	0	0	0	0	0	0	0	0	18,421		
Alcoholic Beverage Tax	27,477	0	0	0	0	0	0	0	0	27,477		
State Revenue Sharing - T.V.A.	383,788	0	0	0	0	0	0	0	0	383,788		
Contracted Prisoner Boarding	577,885	0	0	0	0	0	350,000	0	0	927,885		
Gasoline and Motor Fuel Tax	0	0	0	0	1,398,037	0	0	0	0	1,398,037		
Petroleum Special Tax	0	0	0	0	8,397	0	0	0	0	8,397		
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	0	15,164		
Other State Grants	40,846	0	0	0	0	0	0	0	0	40,846		
Other State Revenues	737	0	0	0	0	0	0	0	0	737		
Total State of Tennessee	\$ 1,140,646	\$ 4,677	\$ 0	\$ 0	\$ 1,983,762	\$ 350,000	\$ 0	\$ 0	\$ 0	\$ 3,479,085		

(Continued)

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		Community Development / Industrial Park		
<u>Federal Government</u>										
<u>Federal Through State</u>										
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,011,727	\$ 0	\$ 0	\$ 0	\$ 1,011,727	
Other Federal through State	7,652	0	0	0	0	0	0	0	7,652	
<u>Direct Federal Revenue</u>										
Police Service (Lake Area)	11,367	0	0	0	0	0	0	0	11,367	
Medicare	2,800	0	0	0	0	0	0	0	2,800	
Other Direct Federal Revenue	207,703	0	0	0	70,922	0	0	0	278,625	
Total Federal Government	\$ 229,522	\$ 0	\$ 0	\$ 0	\$ 1,082,649	\$ 0	\$ 0	\$ 0	\$ 1,312,171	
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Prisoner Board Contributions	\$ 216,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 216,300	
Total Other Governments and Citizens Groups	\$ 60,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,000	
Total Other Governments and Citizens Groups	\$ 276,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 276,300	
Total	\$ 5,094,938	\$ 409,534	\$ 35,897	\$ 20,033	\$ 3,383,566	\$ 392,614	\$ 12,697	\$ 9,349,279		

Exhibit J-6

Jackson County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,549,752	\$ 0	\$ 0	\$ 1,549,752
Trustee's Collections - Prior Year	79,768	0	0	79,768
Circuit/Clerk & Master Collections - Prior Years	21,300	0	0	21,300
Interest and Penalty	16,524	0	0	16,524
<u>County Local Option Taxes</u>				
Local Option Sales Tax	503,612	0	0	503,612
Wheel Tax	172,305	0	0	172,305
Other County Local Option Taxes	255	0	0	255
<u>Statutory Local Taxes</u>				
Bank Excise Tax	6,396	0	0	6,396
Interstate Telecommunications Tax	717	0	0	717
Total Local Taxes	\$ 2,350,629	\$ 0	\$ 0	\$ 2,350,629
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 931	\$ 0	\$ 0	\$ 931
Total Licenses and Permits	\$ 931	\$ 0	\$ 0	\$ 931
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 145,665	\$ 145,665
Lunch Payments - Adults	0	0	29,025	29,025
A la carte Sales	0	0	33,384	33,384
Receipts from Individual Schools	33,183	0	0	33,183
Total Charges for Current Services	\$ 33,183	\$ 0	\$ 208,074	\$ 241,257
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 411	\$ 411
Lease/Rentals	1,600	0	0	1,600
Refund of Telecommunication and Internet Fees (E-Rate)	19,942	0	0	19,942
Miscellaneous Refunds	19,541	1,349	0	20,890
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	174	0	0	174
Contributions and Gifts	68	0	0	68
Total Other Local Revenues	\$ 41,325	\$ 1,349	\$ 411	\$ 43,085
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 45,986	\$ 0	\$ 0	\$ 45,986
<u>State Education Funds</u>				
Basic Education Program	8,337,000	0	0	8,337,000
Early Childhood Education	310,831	0	0	310,831
School Food Service	8,747	0	0	8,747
Other State Education Funds	172,469	0	0	172,469
Career Ladder Program	77,591	0	0	77,591
Career Ladder - Extended Contract	15,100	0	0	15,100

(Continued)

Exhibit J-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
Other State Revenues	\$ 2,431	\$ 0	\$ 0	\$ 2,431
Total State of Tennessee	\$ 8,970,155	\$ 0	\$ 0	\$ 8,970,155
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 471,432	\$ 471,432
USDA - Commodities	0	0	45,190	45,190
Breakfast	0	0	257,780	257,780
USDA - Other	0	0	8,590	8,590
Adult Education State Grant Program	60,120	0	0	60,120
Vocational Education - Basic Grants to States	0	27,475	0	27,475
Title I Grants to Local Education Agencies	0	527,993	0	527,993
Special Education - Grants to States	0	394,171	0	394,171
Special Education Preschool Grants	0	14,022	0	14,022
Rural Education	0	43,247	0	43,247
Eisenhower Professional Development State Grants	0	78,994	0	78,994
Job Training Partnership Act	0	11,000	0	11,000
Race-to-the-Top - ARRA	0	129,817	0	129,817
Other Federal through State	250,090	329,277	0	579,367
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	99,899	0	99,899
Total Federal Government	\$ 310,210	\$ 1,655,895	\$ 782,992	\$ 2,749,097
Total	\$ 11,706,433	\$ 1,657,244	\$ 991,477	\$ 14,355,154

Exhibit J-7

Jackson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Other Per Diem and Fees	\$ 20,102	
Social Security	1,658	
Audit Services	9,773	
Communication	147	
Dues and Memberships	2,568	
Travel	40	
Other Contracted Services	3,655	
Total County Commission		\$ 37,943

Board of Equalization

Board and Committee Members Fees	\$ 960	
Total Board of Equalization		960

Beer Board

Legal Notices, Recording, and Court Costs	\$ 272	
Total Beer Board		272

County Mayor/Executive

County Official/Administrative Officer	\$ 60,350	
Accountants/Bookkeepers	35,135	
Clerical Personnel	22,440	
Social Security	9,021	
Communication	2,894	
Dues and Memberships	1,215	
Maintenance and Repair Services - Office Equipment	675	
Travel	975	
Office Supplies	2,984	
Data Processing Equipment	7,952	
Total County Mayor/Executive		143,641

County Attorney

County Official/Administrative Officer	\$ 5,750	
Social Security	391	
Total County Attorney		6,141

Election Commission

County Official/Administrative Officer	\$ 47,026	
Election Commission	16,198	
Election Workers	7,760	
In-Service Training	325	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$	4,837	
Communication		1,700	
Legal Notices, Recording, and Court Costs		2,129	
Printing, Stationery, and Forms		1,903	
Travel		824	
Other Contracted Services		11,337	
Office Supplies		2,287	
Data Processing Equipment		2,207	
Voting Machines		7,538	
Total Election Commission	\$		106,071

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		22,440	
Social Security		5,714	
Communication		1,618	
Data Processing Services		4,210	
Dues and Memberships		597	
Maintenance and Repair Services - Office Equipment		1,169	
Travel		766	
Office Supplies		820	
Data Processing Equipment		300	
Office Equipment		300	
Total Register of Deeds			90,185

County Buildings

Custodial Personnel	\$	16,211	
Other Salaries and Wages		31,915	
Social Security		3,682	
Communication		1,399	
Maintenance and Repair Services - Buildings		32,907	
Pest Control		1,420	
Travel		16	
Custodial Supplies		2,981	
Electricity		45,946	
Natural Gas		9,360	
Water and Sewer		3,676	
Other Supplies and Materials		1,694	
Total County Buildings			151,207

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records

Communication	\$	72	
Custodial Supplies		87	
Office Supplies		1,400	
Total Preservation of Records			\$ 1,559

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Clerical Personnel		22,440	
Social Security		5,714	
Audit Services		3,078	
Communication		974	
Data Processing Services		2,257	
Dues and Memberships		361	
Travel		1,894	
Office Supplies		1,144	
Total Property Assessor's Office			90,113

Reappraisal Program

In-Service Training	\$	626	
Communication		74	
Total Reappraisal Program			700

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		22,440	
Social Security		5,714	
Communication		1,124	
Dues and Memberships		427	
Office Supplies		1,502	
Data Processing Equipment		4,539	
Total County Trustee's Office			87,997

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		44,388	
Social Security		7,393	
Communication		1,234	
Dues and Memberships		427	
Printing, Stationery, and Forms		2,780	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Office Supplies	\$ 3,272	
Data Processing Equipment	19,884	
Total County Clerk's Office		\$ 131,629

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 52,251	
Deputy(ies)	75,000	
Jury and Witness Expense	6,758	
Social Security	9,735	
Communication	2,523	
Office Supplies	2,376	
Other Equipment	999	
Total Circuit Court		149,642

General Sessions Court

Judge(s)	\$ 88,722	
Secretary(ies)	22,312	
Social Security	8,494	
Communication	700	
Travel	545	
Office Supplies	1,393	
Total General Sessions Court		122,166

Chancery Court

County Official/Administrative Officer	\$ 52,251	
Deputy(ies)	23,231	
Social Security	5,774	
Communication	1,388	
Data Processing Services	3,252	
Dues and Memberships	502	
Maintenance and Repair Services - Office Equipment	90	
Printing, Stationery, and Forms	95	
Travel	800	
Office Supplies	908	
Total Chancery Court		88,291

Juvenile Court

Youth Service Officer(s)	\$ 20,570
Social Security	1,574

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Communication	\$ 1,430	
Travel	329	
Other Contracted Services	3,750	
Office Supplies	541	
Total Juvenile Court		\$ 28,194

Judicial Commissioners

County Official/Administrative Officer	\$ 33,416	
In-Service Training	270	
Social Security	2,556	
Travel	729	
Office Supplies	185	
Total Judicial Commissioners		37,156

Other Administration of Justice

County Official/Administrative Officer	\$ 2,600	
Clerical Personnel	1,300	
Social Security	298	
Total Other Administration of Justice		4,198

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 57,477
Supervisor/Director	18,640
Deputy(ies)	354,773
Secretary(ies)	26,955
School Resource Officer	79,220
In-Service Training	2,833
Social Security	41,261
Communication	13,611
Contracts with Government Agencies	2,010
Dues and Memberships	2,220
Maintenance and Repair Services - Equipment	6,388
Maintenance and Repair Services - Vehicles	32,984
Printing, Stationery, and Forms	1,905
Tow-in Services	6,730
Travel	559
Equipment Parts - Light	40
Gasoline	97,585
Law Enforcement Supplies	24,398

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Office Supplies	\$ 10,080	
Tires and Tubes	8,842	
Uniforms	4,400	
Water and Sewer	85	
Data Processing Equipment	47,627	
Motor Vehicles	16,500	
Other Equipment	30,066	
Total Sheriff's Department		\$ 887,189

Drug Enforcement

Animal Food and Supplies	\$ 43	
Total Drug Enforcement		43

Administration of the Sexual Offender Registry

In Service/Staff Development	\$ 1,964	
Total Administration of the Sexual Offender Registry		1,964

Jail

Supervisor/Director	\$ 26,022	
Guards	549,343	
Cafeteria Personnel	67,407	
In-Service Training	4,303	
Social Security	49,845	
Communication	17,236	
Maintenance Agreements	6,577	
Maintenance and Repair Services - Buildings	8,811	
Maintenance and Repair Services - Equipment	39,922	
Medical and Dental Services	160,251	
Pest Control	1,327	
Custodial Supplies	17,902	
Electricity	44,292	
Food Preparation Supplies	7,839	
Food Supplies	142,162	
Natural Gas	19,584	
Prisoners Clothing	3,673	
Uniforms	2,898	
Water and Sewer	19,857	
Other Supplies and Materials	6,549	
Total Jail		1,195,800

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contracts with Government Agencies	\$ 1,500	
Contributions	15,000	
Matching Share	<u>34,084</u>	
Total Fire Prevention and Control		\$ 50,584

Other Emergency Management

Communication	\$ 944	
Contributions	<u>66,000</u>	
Total Other Emergency Management		66,944

Other Public Safety

Other Supplies and Materials	\$ <u>7,000</u>	
Total Other Public Safety		7,000

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 4,740	
Other Salaries and Wages	3,643	
In-Service Training	400	
Social Security	279	
Communication	3,997	
Travel	2,067	
Drugs and Medical Supplies	2,109	
Electricity	9,110	
Office Supplies	3,699	
Water and Sewer	<u>812</u>	
Total Local Health Center		30,856

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 42,250
Medical Personnel	428,683
Mechanic(s)	1,981
Clerical Personnel	20,221
In-Service Training	7,228
Social Security	37,461
Communication	3,719
Laundry Service	3,248
Licenses	2,313
Maintenance and Repair Services - Buildings	504
Maintenance and Repair Services - Equipment	6,212

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Maintenance and Repair Services - Vehicles	\$ 5,469	
Custodial Supplies	3,516	
Diesel Fuel	28,370	
Drugs and Medical Supplies	35,717	
Electricity	12,103	
Gasoline	78	
Natural Gas	3,357	
Office Supplies	4,725	
Uniforms	3,600	
Water and Sewer	230	
Data Processing Equipment	18,530	
Motor Vehicles	171,279	
Other Equipment	<u>7,578</u>	
Total Ambulance/Emergency Medical Services		\$ 848,372

Crippled Children Services

Contracts with Government Agencies	\$ 450	
Total Crippled Children Services		450

Regional Mental Health Center

Contributions	\$ 8,135	
Total Regional Mental Health Center		8,135

Appropriation to State

Contributions	\$ 12,264	
Total Appropriation to State		12,264

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$ 11,135	
Social Security	852	
Communication	412	
Maintenance and Repair Services - Buildings	258	
Office Supplies	195	
Utilities	<u>5,447</u>	
Total Adult Activities		18,299

Senior Citizens Assistance

Supervisor/Director	\$ 11,135	
Other Salaries and Wages	7,830	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance (Cont.)

Social Security	\$ 1,451	
Communication	377	
Maintenance and Repair Services - Buildings	91	
Office Supplies	73	
Utilities	<u>6,039</u>	
Total Senior Citizens Assistance		\$ 26,996

Libraries

Assistant(s)	\$ 13,794	
Supervisor/Director	22,440	
Social Security	2,772	
Communication	1,732	
Maintenance Agreements	790	
Custodial Supplies	1,145	
Library Books/Media	15,303	
Office Supplies	623	
Data Processing Equipment	<u>11,584</u>	
Total Libraries		70,183

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 10,674	
Secretary(ies)	5,462	
Social Security	300	
Extension Service Medicare	216	
State Retirement	1,427	
Communication	1,783	
Contracts with Private Agencies	10,120	
Travel	494	
Data Processing Equipment	<u>674</u>	
Total Agriculture Extension Service		31,150

Soil Conservation

Salary Supplements	\$ 50,743	
Social Security	3,882	
Matching Share	17,199	
Other Contracted Services	<u>73,101</u>	
Total Soil Conservation		144,925

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations

Industrial Development

Advertising	\$ 330	
Other Supplies and Materials	578	
Other Charges	<u>2,029</u>	
Total Industrial Development		\$ 2,937

Other Economic and Community Development

Other Contracted Services	\$ 5,714	
Total Other Economic and Community Development		5,714

Airport

Communication	\$ 148	
Maintenance and Repair Services - Buildings	4,919	
Electricity	<u>1,946</u>	
Total Airport		7,013

Other Charges

Liability Insurance	\$ 183,417	
Premiums on Corporate Surety Bonds	8,501	
Trustee's Commission	22,899	
Workers' Compensation Insurance	101,803	
Land	<u>8,118</u>	
Total Other Charges		324,738

Contributions to Other Agencies

Contributions	\$ 28,259	
Total Contributions to Other Agencies		28,259

Employee Benefits

State Retirement	\$ 143,359	
Unemployment Compensation	<u>24,178</u>	
Total Employee Benefits		167,537

Miscellaneous

Contributions	\$ 50,000	
Legal Services	3,300	
Legal Notices, Recording, and Court Costs	2,361	
Postal Charges	18,969	
Other Contracted Services	8,000	
Other Charges	<u>27,348</u>	
Total Miscellaneous		109,978

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Highways

Litter and Trash Collection

Guards	\$ 14,679	
Clerical Personnel	3,200	
Social Security	1,277	
Maintenance and Repair Services - Vehicles	9,276	
Gasoline	3,417	
Instructional Supplies and Materials	6,094	
Other Supplies and Materials	484	
Motor Vehicles	10,000	
Total Litter and Trash Collection		\$ 48,427

Total General Fund \$ 5,373,822

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Truck Drivers	\$ 34,797	
Social Security	2,662	
Communication	265	
Maintenance and Repair Services - Equipment	8,956	
Maintenance and Repair Services - Vehicles	13,474	
Contracts for Landfill Facilities	146,861	
Diesel Fuel	26,463	
Gasoline	10,226	
Tires and Tubes	8,146	
Other Supplies and Materials	5,128	
Solid Waste Equipment	4,400	
Total Waste Pickup		\$ 261,378

Convenience Centers

Guards	\$ 158,845	
Social Security	12,226	
State Retirement	3,262	
Communication	3,034	
Electricity	6,914	
Water and Sewer	2,223	
Solid Waste Equipment	374	
Total Convenience Centers		186,878

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 7,918	
Total Other Charges		\$ 7,918

Total Solid Waste/Sanitation Fund \$ 456,174

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 2,000	
Maintenance and Repair Services - Vehicles	4,414	
Animal Food and Supplies	3,356	
Trustee's Commission	228	
Total Drug Enforcement		\$ 9,998

Total Drug Control Fund 9,998

Constitutional Officers - Fees Fund

Administration of Justice

General Sessions Court Clerk

Special Commissioner Fees/Special Master Fees	\$ 13,820	
Total General Sessions Court Clerk		\$ 13,820

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 6,213	
Total Chancery Court		6,213

Total Constitutional Officers - Fees Fund 20,033

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 62,256
Accountants/Bookkeepers	43,365
Clerical Personnel	2,520
State Retirement	7,894
Dues and Memberships	2,242
Maintenance and Repair Services - Office Equipment	7,300
Postal Charges	442
Printing, Stationery, and Forms	4,050
Office Supplies	1,527

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Other Charges	\$ 4,072	
Office Equipment	957	
Total Administration		\$ 136,625

Highway and Bridge Maintenance

Foremen	\$ 46,128	
Equipment Operators	150,052	
Truck Drivers	45,955	
Laborers	254,327	
State Retirement	21,204	
Other Contracted Services	822,504	
Asphalt - Cold Mix	31,394	
Asphalt - Hot Mix	334,560	
Asphalt - Liquid	229,969	
Concrete	6,930	
Crushed Stone	383,908	
General Construction Materials	1,363	
Other Road Supplies	8,633	
Pipe	24,350	
Road Signs	13,282	
Small Tools	568	
Structural Steel	3,449	
Wood Products	3,172	
Other Supplies and Materials	696	
Right-of-Way	446	
Total Highway and Bridge Maintenance		2,382,890

Operation and Maintenance of Equipment

Mechanic(s)	\$ 81,444	
Nightwatchmen	35,970	
State Retirement	4,778	
Diesel Fuel	113,705	
Equipment and Machinery Parts	43,749	
Garage Supplies	903	
Gasoline	82,482	
Lubricants	5,518	
Tires and Tubes	23,150	
Uniforms	3,823	
Other Supplies and Materials	2,384	
Maintenance Equipment	101,641	
Total Operation and Maintenance of Equipment		499,547

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$ 3,595	
Electricity	3,048	
Natural Gas	3,945	
Water and Sewer	254	
Building and Contents Insurance	3,469	
Liability Insurance	4,772	
Premiums on Corporate Surety Bonds	350	
Trustee's Commission	17,374	
Vehicle and Equipment Insurance	16,091	
Total Other Charges		\$ 52,898

Employee Benefits

Social Security	\$ 55,234	
Unemployment Compensation	8,542	
Workers' Compensation Insurance	56,953	
Total Employee Benefits		120,729

Capital Outlay

Engineering Services	\$ 226,202	
Bridge Construction	841,489	
Communication Equipment	14,938	
Highway Equipment	11,900	
Motor Vehicles	9,000	
Total Capital Outlay		1,103,529

Principal on Debt

Highways and Streets

Principal on Notes	\$ 65,870	
Total Highways and Streets		65,870

Interest on Debt

Highways and Streets

Interest on Notes	\$ 9,062	
Total Highways and Streets		9,062

Total Highway/Public Works Fund \$ 4,371,150

(Continued)

Exhibit J-7

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

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 3,000	
Total Other Charges		\$ 3,000

Principal on Debt

General Government

Principal on Bonds	\$ 8,666	
Principal on Notes	154,553	
Principal on Other Loans	<u>154,000</u>	
Total General Government		317,219

Interest on Debt

General Government

Interest on Bonds	\$ 9,199	
Interest on Notes	21,365	
Interest on Other Loans	<u>14,526</u>	
Total General Government		45,090

Other Debt Service

General Government

Other Debt Service	\$ 18,610	
Total General Government		<u>18,610</u>

Total General Debt Service Fund \$ 383,919

Community Development/Industrial Park Fund

General Government

County Buildings

Architects	\$ 4,182	
Maintenance and Repair Services - Buildings	550	
Utilities	2,410	
Building Improvements	<u>74,580</u>	
Total County Buildings		\$ 81,722

Other Operations

Industrial Development

Contributions	\$ 5,000	
Total Industrial Development		5,000

Other Charges

Trustee's Commission	\$ 120	
Total Other Charges		<u>120</u>

Total Community Development/Industrial Park Fund 86,842

Total Governmental Funds - Primary Government \$ 10,701,938

Exhibit J-8

Jackson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 3,145,384	
Career Ladder Program	40,855	
Career Ladder Extended Contracts	9,475	
Homebound Teachers	1,110	
Educational Assistants	95,229	
Other Salaries and Wages	73,747	
Certified Substitute Teachers	23,532	
Non-certified Substitute Teachers	66,778	
Social Security	199,655	
State Retirement	301,158	
Medical Insurance	289,433	
Unemployment Compensation	6,485	
Employer Medicare	46,742	
Other Fringe Benefits	8,700	
Other Contracted Services	16,654	
Instructional Supplies and Materials	38,428	
Textbooks	14,796	
Other Supplies and Materials	103,293	
Regular Instruction Equipment	30,156	
Total Regular Instruction Program		\$ 4,511,610

Alternative Instruction Program

Teachers	\$ 65,113	
Career Ladder Program	1,000	
Educational Assistants	6,118	
Social Security	3,997	
State Retirement	6,426	
Medical Insurance	9,951	
Unemployment Compensation	132	
Employer Medicare	935	
Other Fringe Benefits	200	
Instructional Supplies and Materials	322	
Other Equipment	100	
Total Alternative Instruction Program		94,294

Special Education Program

Teachers	\$ 404,731
Career Ladder Program	2,000
Homebound Teachers	1,013

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Educational Assistants	\$	62,292	
Speech Pathologist		25	
Certified Substitute Teachers		2,400	
Non-certified Substitute Teachers		9,088	
Social Security		27,757	
State Retirement		41,339	
Medical Insurance		35,125	
Unemployment Compensation		1,168	
Employer Medicare		6,493	
Other Fringe Benefits		1,100	
Contracts with Other Public Agencies		4,017	
Contracts with Private Agencies		2,871	
Tuition		1,915	
Other Supplies and Materials		379	
Total Special Education Program			\$ 603,713

Vocational Education Program

Teachers	\$	243,014	
Career Ladder Program		1,990	
Certified Substitute Teachers		65	
Non-certified Substitute Teachers		7,407	
Social Security		14,783	
State Retirement		22,173	
Medical Insurance		17,778	
Unemployment Compensation		419	
Employer Medicare		3,458	
Other Fringe Benefits		600	
Contracts with Other School Systems		159,578	
Maintenance and Repair Services - Equipment		1,780	
Instructional Supplies and Materials		6,829	
Other Supplies and Materials		1,970	
Vocational Instruction Equipment		2,808	
Total Vocational Education Program			484,652

Adult Education Program

Teachers	\$	37,247	
Social Security		2,229	
State Retirement		3,352	
Medical Insurance		3,832	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Unemployment Compensation	\$	82	
Employer Medicare		524	
Instructional Supplies and Materials		995	
Other Equipment		27,960	
Total Adult Education Program			\$ 76,221

Support Services

Attendance

Supervisor/Director	\$	49,128	
Career Ladder Program		1,000	
Clerical Personnel		26,256	
Social Security		4,504	
State Retirement		6,426	
Medical Insurance		3,832	
Unemployment Compensation		190	
Employer Medicare		1,053	
Other Fringe Benefits		100	
Travel		1,302	
Other Contracted Services		3,939	
Other Supplies and Materials		32	
Attendance Equipment		1,543	
Total Attendance			99,305

Health Services

Medical Personnel	\$	83,328	
Other Salaries and Wages		29,376	
Social Security		6,080	
State Retirement		8,227	
Medical Insurance		15,875	
Unemployment Compensation		236	
Employer Medicare		1,422	
Other Fringe Benefits		200	
Communication		600	
Postal Charges		800	
Printing, Stationery, and Forms		2,500	
Travel		1,306	
Other Contracted Services		2,000	
Drugs and Medical Supplies		919	
Other Supplies and Materials		21,874	
Total Health Services			174,743

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support

Career Ladder Program	\$	2,025	
Guidance Personnel		40,049	
Social Security		2,280	
State Retirement		3,777	
Medical Insurance		2,384	
Unemployment Compensation		147	
Employer Medicare		533	
Other Fringe Benefits		300	
Contracts with Government Agencies		60,000	
Evaluation and Testing		6,781	
Travel		220	
Other Charges		400	
Total Other Student Support			\$ 118,896

Regular Instruction Program

Supervisor/Director	\$	43,344	
Career Ladder Program		5,025	
Librarians		142,609	
Instructional Computer Personnel		49,128	
Clerical Personnel		5,600	
Other Salaries and Wages		40,499	
Certified Substitute Teachers		584	
Non-certified Substitute Teachers		3,943	
Social Security		17,541	
State Retirement		24,401	
Medical Insurance		11,391	
Unemployment Compensation		558	
Employer Medicare		4,104	
Other Fringe Benefits		700	
Communication		500	
Postal Charges		500	
Printing, Stationery, and Forms		2,000	
Travel		7,030	
Library Books/Media		2,376	
In Service/Staff Development		1,659	
Total Regular Instruction Program			363,492

Special Education Program

Supervisor/Director	\$	61,344	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	3,000	
Psychological Personnel		32,070	
Social Security		5,401	
State Retirement		8,726	
Medical Insurance		11,986	
Unemployment Compensation		118	
Employer Medicare		1,263	
Other Fringe Benefits		200	
Travel		681	
Other Contracted Services		927	
Other Supplies and Materials		517	
Total Special Education Program			\$ 126,233

Vocational Education Program

Supervisor/Director	\$	11,479	
Social Security		712	
State Retirement		1,039	
Employer Medicare		166	
Travel		725	
Other Supplies and Materials		122	
In Service/Staff Development		105	
Total Vocational Education Program			14,348

Adult Programs

Supervisor/Director	\$	7,720	
Clerical Personnel		15,917	
Social Security		1,394	
State Retirement		1,861	
Unemployment Compensation		49	
Employer Medicare		326	
Communication		1,557	
In Service/Staff Development		1,537	
Total Adult Programs			30,361

Other Programs

On-Behalf Payments to OPEB	\$	45,986	
Total Other Programs			45,986

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education

Other Salaries and Wages	\$	7,500	
Social Security		465	
Life Insurance		8,820	
Employer Medicare		109	
Audit Services		2,500	
Dues and Memberships		6,159	
Travel		118	
Other Contracted Services		750	
Other Supplies and Materials		4,632	
Liability Insurance		91,687	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		58,632	
Workers' Compensation Insurance		99,328	
Total Board of Education			\$ 280,875

Director of Schools

County Official/Administrative Officer	\$	75,201	
Career Ladder Program		1,000	
Social Security		4,614	
State Retirement		6,896	
Medical Insurance		3,832	
Unemployment Compensation		68	
Employer Medicare		1,079	
Other Fringe Benefits		100	
Communication		6,103	
Postal Charges		609	
Travel		4,747	
Other Contracted Services		4,076	
Office Supplies		449	
In Service/Staff Development		200	
Total Director of Schools			108,974

Office of the Principal

Principals	\$	205,846	
Career Ladder Program		6,000	
Assistant Principals		91,621	
Secretary(ies)		74,484	
Clerical Personnel		61,992	
Social Security		26,081	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

State Retirement	\$	36,714	
Medical Insurance		14,861	
Unemployment Compensation		992	
Employer Medicare		6,191	
Other Fringe Benefits		600	
Communication		36,443	
Dues and Memberships		2,500	
Travel		286	
Other Contracted Services		368	
Office Supplies		333	
In Service/Staff Development		765	
Other Charges		500	
Administration Equipment		310	
Total Office of the Principal			\$ 566,887

Fiscal Services

Supervisor/Director	\$	34,793	
Accountants/Bookkeepers		58,593	
Secretary(ies)		25,809	
Clerical Personnel		25,981	
Other Salaries and Wages		12,445	
Social Security		9,719	
State Retirement		11,494	
Unemployment Compensation		372	
Employer Medicare		2,275	
Travel		3,269	
Other Contracted Services		13,329	
Data Processing Supplies		1,178	
Office Supplies		571	
Administration Equipment		462	
Total Fiscal Services			200,290

Operation of Plant

Custodial Personnel	\$	237,644	
Social Security		14,563	
State Retirement		16,019	
Unemployment Compensation		1,009	
Employer Medicare		3,406	
Rentals		21,777	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Contracted Services	\$	5,271	
Custodial Supplies		62,181	
Electricity		372,817	
Fuel Oil		19,226	
Natural Gas		13,766	
Water and Sewer		32,628	
Plant Operation Equipment		4,997	
Total Operation of Plant			\$ 805,304

Maintenance of Plant

Supervisor/Director	\$	39,371	
Other Salaries and Wages		48,117	
Social Security		5,338	
State Retirement		6,387	
Unemployment Compensation		203	
Employer Medicare		1,248	
Maintenance and Repair Services - Buildings		3,825	
Maintenance and Repair Services - Equipment		3,134	
Travel		538	
Other Contracted Services		40,813	
Other Supplies and Materials		56,862	
Other Charges		150	
Maintenance Equipment		5,887	
Total Maintenance of Plant			211,873

Transportation

Mechanic(s)	\$	25,262	
Bus Drivers		187,969	
Other Salaries and Wages		11,026	
Social Security		13,617	
State Retirement		9,767	
Unemployment Compensation		855	
Employer Medicare		3,168	
Contracts with Vehicle Owners		289,597	
Maintenance and Repair Services - Vehicles		12,051	
Other Contracted Services		28,753	
Gasoline		107,936	
Lubricants		929	
Tires and Tubes		7,871	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Vehicle Parts	\$	19,285	
Other Supplies and Materials		2,343	
Vehicle and Equipment Insurance		20,126	
Other Charges		227	
Transportation Equipment		81,575	
Other Equipment		994	
Total Transportation			\$ 823,351

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	54,714	
Career Ladder Program		1,000	
Social Security		3,090	
State Retirement		5,042	
Medical Insurance		6,238	
Unemployment Compensation		68	
Employer Medicare		722	
Other Fringe Benefits		100	
Total Food Service			70,974

Community Services

Supervisor/Director	\$	40,830	
Social Security		2,416	
State Retirement		3,695	
Medical Insurance		3,832	
Unemployment Compensation		67	
Employer Medicare		565	
Other Fringe Benefits		100	
Communication		445	
Travel		710	
Other Supplies and Materials		42	
Total Community Services			52,702

Early Childhood Education

Supervisor/Director	\$	43,500	
Teachers		110,939	
Educational Assistants		40,788	
Certified Substitute Teachers		1,344	
Non-certified Substitute Teachers		1,155	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Social Security	\$	11,805	
State Retirement		16,835	
Medical Insurance		9,310	
Unemployment Compensation		422	
Employer Medicare		2,759	
Other Fringe Benefits		300	
Communication		1,394	
Postal Charges		300	
Travel		8,721	
Other Supplies and Materials		61,262	
Total Early Childhood Education			\$ 310,834

Capital Outlay

Regular Capital Outlay

Architects	\$	7,185	
Other Contracted Services		1,365	
Building Construction		13,398	
Building Improvements		98,412	
Site Development		12,624	
Transportation Equipment		79,677	
Total Regular Capital Outlay			212,661

Principal on Debt

Education

Principal on Other Loans	\$	391,000	
Total Education			391,000

Interest on Debt

Education

Interest on Other Loans	\$	32,912	
Total Education			32,912

Other Debt Service

Education

Other Debt Service	\$	47,223	
Total Education			47,223

Total General Purpose School Fund \$ 10,859,714

(Continued)

Exhibit J-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	480,292	
Educational Assistants		88,632	
Other Salaries and Wages		12,050	
Certified Substitute Teachers		2,980	
Non-certified Substitute Teachers		942	
Social Security		33,864	
State Retirement		50,870	
Medical Insurance		40,936	
Unemployment Compensation		1,257	
Employer Medicare		7,965	
Other Fringe Benefits		700	
Instructional Supplies and Materials		26,931	
Regular Instruction Equipment		41,596	
Total Regular Instruction Program	\$		789,015

Special Education Program

Teachers	\$	40,074	
Educational Assistants		212,578	
Speech Pathologist		41,985	
Other Salaries and Wages		10,918	
Social Security		17,974	
State Retirement		22,971	
Medical Insurance		14,151	
Unemployment Compensation		1,209	
Employer Medicare		4,207	
Other Fringe Benefits		100	
Contracts with Private Agencies		50,245	
Instructional Supplies and Materials		3,806	
Other Supplies and Materials		1,874	
Other Charges		17	
Special Education Equipment		2,169	
Total Special Education Program			424,278

Vocational Education Program

Teachers	\$	9,440	
Social Security		518	
State Retirement		854	
Unemployment Compensation		66	
Employer Medicare		121	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Other Contracted Services	\$	1,060	
Instructional Supplies and Materials		2,354	
Vocational Instruction Equipment		9,262	
Total Vocational Education Program			\$ 23,675

Support Services

Other Student Support

Guidance Personnel	\$	109,912	
Bus Drivers		400	
Other Salaries and Wages		4,050	
Social Security		7,093	
State Retirement		10,315	
Medical Insurance		9,200	
Unemployment Compensation		166	
Employer Medicare		1,659	
Travel		8,200	
Other Supplies and Materials		127	
In Service/Staff Development		492	
Other Charges		2,353	
Total Other Student Support			153,967

Regular Instruction Program

Supervisor/Director	\$	93,844	
Social Security		5,628	
State Retirement		8,493	
Medical Insurance		6,903	
Unemployment Compensation		68	
Employer Medicare		1,316	
Travel		2,535	
Other Contracted Services		66,780	
Library Books/Media		18,923	
Other Supplies and Materials		2,424	
In Service/Staff Development		12,423	
Other Charges		3,747	
Total Regular Instruction Program			223,084

Special Education Program

Psychological Personnel	\$	10,690	
Clerical Personnel		2,230	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Social Security	\$	801	
State Retirement		968	
Unemployment Compensation		33	
Employer Medicare		187	
Travel		5,285	
Other Supplies and Materials		889	
In Service/Staff Development		2,230	
Other Charges		229	
Other Equipment		208	
Total Special Education Program			\$ 23,750

Vocational Education Program

In Service/Staff Development	\$	940	
Total Vocational Education Program			940

Office of the Principal

In-Service Training	\$	3,500	
Social Security		217	
State Retirement		317	
Employer Medicare		50	
Total Office of the Principal			4,084

Transportation

Other Salaries and Wages	\$	3,046	
Social Security		227	
State Retirement		244	
Unemployment Compensation		32	
Employer Medicare		70	
Total Transportation			3,619

Total School Federal Projects Fund \$ 1,646,412

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	317,460	
Social Security		19,330	
State Retirement		21,695	
Unemployment Compensation		1,528	

(Continued)

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Employer Medicare	\$ 4,521	
Communication	1,341	
Maintenance and Repair Services - Equipment	6,251	
Travel	4,794	
Other Contracted Services	4,363	
Food Supplies	399,587	
USDA - Commodities	45,190	
Other Supplies and Materials	46,033	
In Service/Staff Development	1,607	
Food Service Equipment	<u>12,327</u>	
Total Food Service		<u>\$ 886,027</u>

Total Central Cafeteria Fund \$ 886,027

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Construction	\$ 21,719	
Site Development	<u>5,995</u>	
Total Education Capital Projects		<u>\$ 27,714</u>

Total Education Capital Projects Fund 27,714

Total Governmental Funds - Jackson County School Department \$ 13,419,867

Exhibit J-9

Jackson County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2012

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 264,384
Total Cash Receipts	<u>\$ 264,384</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 261,932
Trustee's Commission	2,452
Total Cash Disbursements	<u>\$ 264,384</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2011	<u>0</u>
 Cash Balance, June 30, 2012	 <u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841

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

October 31, 2012

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Jackson County's basic financial statements and have issued our report thereon dated October 31, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Jackson County Emergency Communications District as described in our report on Jackson County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

The management of Jackson County is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered Jackson County's internal control over financial reporting as a basis for

designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 12.01, 12.02, 12.10, and 12.17.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.05, 12.06(C,D,E), 12.07(A,C,E), 12.08, 12.09, 12.13, 12.14, and 12.18.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.03, 12.04, 12.06(A,B), 12.07(B,D,F), 12.11, 12.12, 12.15, and 12.16.

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

This report is intended solely for the information and use of management, the county mayor, road superintendent, director of schools, County Commission, Board of Education, others within Jackson County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
**DIVISION OF LOCAL GOVERNMENT AUDIT**  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

October 31, 2012

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Jackson County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Jackson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jackson County's management. Our responsibility is to express an opinion on Jackson County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test

basis, evidence about Jackson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Jackson County's compliance with those requirements.

In our opinion, Jackson County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

#### Internal Control Over Compliance

The management of Jackson County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jackson County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the

financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of management, the county mayor, road superintendent, director of schools, County Commission, Board of Education, others within Jackson County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a long, vertical tail on the letter "J".

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

Jackson County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2012

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Emergency Watershed Protection Program	10.923	N/A	\$ 225,043
Community Facilities Loans and Grants	10.766	N/A	4,765
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	257,780
National School Lunch Program	10.555	N/A	480,022 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	45,190 (3)
Total U.S. Department of Agriculture			\$ 1,012,800
U.S. Department of the Interior - Bureau of Land Management			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 44,485
U.S. Department of Justice			
Direct Program:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,332
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 10,999
Appalachian Regional Commission			
Passed-through Tennessee Technological University:			
Appalachian Area Development	23.002	(2)	\$ 33,674
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce			
Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 60,120
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	494,027
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	450,053
Special Education - Preschool Grants	84.173	N/A	12,814
Career and Technical Education - Basic Grants to States	84.048	N/A	27,475
Twenty-first Century Community Learning Centers	84.287	(2)	222,130
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	1,551
Education Technology State Grants, Recovery Act	84.386	(2)	5,335
Rural Education	84.358	N/A	44,653
Improving Teacher Quality State Grants	84.367	N/A	83,356
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants,			
Recovery Act	84.395	N/A	115,163
Education Jobs Fund	84.410	N/A	329,277
Total U.S. Department of Education			\$ 1,845,954

(Continued)

Jackson County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Election Assistance Commission: Passed through Tennessee Secretary of State: Help America Vote Act Requirements Payments	90.401	(2)	\$ 1,938
U.S. Department of Health and Human Services: Direct Program: Substance Abuse and Mental Health Service - Projects of Regional and National Significance	93.243	N/A	\$ 99,900
U.S. Department of Homeland Security: Passed through State Department of Military: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 1,011,727
Total Expenditures of Federal Awards			<u>\$ 4,065,809</u>

State Grants

		Contract Number	
Lottery for Education - PreK - State Department of Education	N/A	(2)	\$ 310,831
Coordinated School Health - State Department of Education	N/A	(2)	100,000
Family Resource Center - State Department of Education	N/A	(2)	29,612
Safe Schools - State Department of Education	N/A	(2)	9,400
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	19,771
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Aging Program - Upper Cumberland Development District	N/A	(2)	10,272
Tennessee Agriculture Enhancement Program - State Department of Agriculture	N/A	(2)	10,785
Law Enforcement Training - State Department of Safety	N/A	(2)	7,800
Automated Fingerprint Identification System: LiveScan Replacement Grant - State Department of Finance and Administration Office of Criminal Justice	N/A	(2)	18,750
Local Health Services Grant - State Department of Health	N/A	(2)	5,378
Litter Program - State Department of Transportation	N/A	(2)	26,380
Rural Library Laptop Labs - Tennessee Secretary of State	N/A	(2)	11,311
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	<u>4,677</u>
Total State Grants			<u>\$ 573,967</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

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

(2) Information not available.

(3) Total for CFDA No. 10.555 is \$525,212.

Jackson County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2012

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Jackson County, Tennessee, for the year ended June 30, 2011, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.01	146	The General and General Debt Service funds required material audit adjustments for the financial statements to be materially correct at year-end
11.03	148	The General Fund had a fund deficit
11.04	148	Expenditures exceeded appropriations
11.05	150	The office had deficiencies in purchasing procedures
11.06	150	Numerous misclassifications were noted in the accounting records
11.07	151	Leave records were not on file to support payroll disbursements
11.08	152	General ledger payroll liability accounts were not reconciled
11.09	152	Interfund receivables and payables were not liquidated on a current basis

**OFFICES OF TRUSTEE, COUNTY CLERK, AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.10	153	Multiple employees operated from the same cash drawer

**OFFICE OF COUNTY CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.11	153	Bank statements were not reconciled with the general ledger

**OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND CLERK AND MASTER**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.13	154	Execution docket trial balances did not reconcile with general ledger accounts

**OFFICE OF CLERK AND MASTER**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.15	155	Some collections were not deposited within three days

**JACKSON COUNTY**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.16	156	Jackson County has a material recurring audit finding

**OFFICES OF COUNTY MAYOR, ROAD SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.17	157	Duties were not segregated adequately

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**JACKSON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2012**

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

1. Our report on the financial statements of Jackson County is unqualified.
2. The audit of the financial statements of Jackson County disclosed significant deficiencies in internal control. Four of these deficiencies were considered to be material weaknesses.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Jackson County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States, and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), the Education Jobs Fund (CFDA No. 84.410), and Disaster Assistance – Public Grants (Presidentially Declared Disaster) (CFDA No. 97.036) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Jackson County did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

### **OFFICES OF COUNTY MAYOR AND ROAD SUPERINTENDENT**

**FINDING 12.01      THE GENERAL, GENERAL DEBT SERVICE, AND HIGHWAY/PUBLIC WORKS FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2012, certain general ledger account balances in the General, General Debt Service, and Highway/Public Works funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Jackson County to have adequate controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### **RECOMMENDATION**

Jackson County should have appropriate processes in place to ensure that its general ledgers are materially correct.

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**FINDING 12.02      THE GENERAL AND HIGHWAY/PUBLIC WORKS FUND HAD DEFICITS IN UNASSIGNED FUND BALANCES AT JUNE 30, 2012**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

The General and Highway/Public Works funds had deficits in unassigned fund balances of \$278,418 and \$129,631, respectively, at June 30, 2012. The General Fund deficit resulted from the failure of estimated revenues to materialize, the overestimation of the beginning fund balance, and the failure to correct the finding noted in the prior-year audit report. This deficit is expected to be liquidated from tax collections subsequent to June 30, 2012. The Highway/Public Works Fund deficit resulted from the recognition of \$311,177 in

unrecorded contract liabilities. This deficit is expected to be liquidated from federal grants subsequent to June 30, 2012.

**RECOMMENDATION**

Management should liquidate the deficits in unassigned fund balances and should closely monitor and hold operations of the funds within available funding to ensure that the deficits do not recur.

---

**OFFICE OF COUNTY MAYOR**

**FINDING 12.03      **GENERAL LEDGER CASH ACCOUNTS WERE NOT RECONCILED WITH COUNTY TRUSTEE REPORTS****  
(Noncompliance Under *Government Auditing Standards*)

The office did not reconcile general ledger cash accounts with county trustee reports for funds administered by the county mayor. Section 9-2-138, *Tennessee Code Annotated*, requires officials to reconcile their respective fund accounts with the trustee's reports monthly. Failure to reconcile the general ledger cash accounts with the county trustee's reports increases the risks that errors may occur and not be detected. This deficiency exists due to a lack of management oversight. Cash balances were determined by substantive tests and alternative audit procedures.

**RECOMMENDATION**

The office should reconcile the cash balance of the various funds with the county trustee's reports monthly as required by state statute, and any errors discovered should be corrected promptly.

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**FINDING 12.04      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS****  
(Noncompliance Under *Government Auditing Standards*)

Our audit revealed the following deficiencies in budget operations:

- A. The budget and subsequent amendments submitted to and approved by the County Commission for the Solid Waste/Sanitation and Drug Control funds resulted in appropriations exceeding estimated available funds by \$763 and \$21,363, respectively. Sound budgetary principles dictate that appropriations should be held within estimated available funding. This budget deficiency was a result of amendments in excess of available funds being submitted to the County Commission and the County Commission approving said amendments.
- B. During the year, some budget amendments were posted to the General Fund that were not approved by the County Commission. These budget

amendments have not been recognized in the financial statements of this report.

- C. Expenditures exceeded appropriations approved by the County Commission in the following General Fund major appropriation categories (the legal level of control):

<u>Major Category</u>	<u>Amount Overspent</u>
Board of Equalization	\$ 210
Other Administration of Justice	323
Drug Enforcement	43
Jail	2,085
Other Public Safety	2,000
Soil Conservation	199
Industrial Development	37
Other Economic and Community Development	5,214
Airport	2,963
Miscellaneous	4,978
Litter and Trash Collection	9,190

- D. Fifteen salary line-items exceeded appropriations approved by the County Commission in the General Fund by amounts ranging from \$100 to \$5,238. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed expenditures that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending within limits authorized by the County Commission, and management failed to correct the finding noted in the prior-year audit report. These deficiencies resulted in unauthorized expenditures.

### RECOMMENDATION

Appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations. Budget amendments should be submitted to the County Commission for approval. County

officials should ensure that expenditures are held within appropriations approved by the County Commission.

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**FINDING 12.05      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to issue purchase orders increases the risk of unauthorized purchases.
- B. In some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.
- C. Some purchase orders did not include adequate descriptions and prices of the items to be purchased. This detailed information is necessary to identify the items to be purchased and to quantify purchasing commitments.
- D. Several invoices were paid without documentation that goods had been received and/or services had been rendered. The practice of paying invoices without documentation that goods had been received or services rendered increases the risks of paying for something that was never received.

These deficiencies exist because management failed to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made and should include a dollar limit and a description of the purchase. The office should maintain documentation that goods have been received or services rendered before invoices are paid.

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FINDING 12.06      **NUMEROUS MISCLASSIFICATIONS WERE NOTED IN THE ACCOUNTING RECORDS**

(A. and B. – Noncompliance Under *Government Auditing Standards*; C., D., and E. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our audit disclosed the following misclassifications in the accounting records:

- A.      During the period under examination contracted prisoner board revenues of \$687,525 were posted to the General Debt Service Fund; however, \$337,525 of the \$687,525 should have been posted to the General Fund. The budget approved by the County Commission provided that the first \$350,000 received from contracted prisoner board should be posted to the General Debt Service Fund, and the remaining contracted prisoner board revenues should have been posted to the General Fund.
- B.      During the period under examination, investment earnings of \$47,089 were posted to the General Debt Service Fund; however, the budget approved by the County Commission provided that investment earnings should have been posted to the General Fund.
- C.      In numerous instances, revenues were misclassified. Federal and state grant revenues were classified as other local revenues, revenues from other governments were classified as charges for current services, and revenues from the State of Tennessee were classified as local taxes. In addition, revenue accounts that were previously deleted from the County Uniform Chart of Accounts were used to classify revenue.
- D.      Numerous receipts and disbursements were posted directly to fund equity accounts rather than to revenue and expenditure accounts. This practice has the effect of understating both revenues and expenditures.
- E.      Several expenditures were coded to accounts that did not reflect the true nature of the expenditures. Sound budgetary principles require expenditures to be coded to accounts that reflect the true nature of the expenditures. Misclassifying expenditures diminishes the usefulness of the accounting records as a management tool.

We presented audit adjustments to management that they approved and posted for the misclassifications noted during our examination. These adjustments resulted in these misclassifications being properly presented in the financial statements of this report. These deficiencies were the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

All transactions should be posted to the correct fund and properly classified in the accounting records using the current County Uniform Chart of Accounts.

FINDING 12.07

**DEFICIENCIES WERE NOTED IN THE OPERATIONS OF THE  
AMBULANCE SERVICE**

(B., D. and F. – Noncompliance Under *Government Auditing Standards*; A., C., and E. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination disclosed the following deficiencies involving the Ambulance Service. These deficiencies exist due to a lack of management oversight.

- A. Trip tickets were not always posted to the accounts receivable software application or were not posted and invoiced on a timely basis. Several insurance providers require the Ambulance Service to invoice for services within an established time period or the provider will refuse payment. Failure to post trip tickets to the accounts receivable software application could result in a loss of revenue to the county. Ambulance Service patient revenues for the year examined were below the prior-year's revenues by \$190,541 and below budgeted revenues by \$241,864.
- B. We noted instances where Medicare could not be invoiced for non-emergency ambulance trips because the trip was not pre-approved in compliance with Medicare requirements. This resulted in a loss of revenue to the county.
- C. We were unable to test some operations of the Ambulance Service because the software application was set to delete accounts with zero balances after 45 days, and the computer backups were corrupted.
- D. The Ambulance Service did not deposit some funds to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. During our examination, we noted checks on hand dated back to June 1, 2010. The delay in depositing funds weakens internal controls over collections and increases the risk of fraud and misappropriation.
- E. The Ambulance Service write-off policy did not address who authorizes write-offs and the proper documentation for write-offs. Proper documentation for a write-off includes, at a minimum, a record that displays the patient's name, account number, amount to be written off, reason for the write-off, and approving signature of an appropriate official.
- F. The Ambulance Service offered discounts to patients who could pay only a portion of their bill. The amount the patient was not able to pay was written off. In addition, families of patients who were dead-on-arrival were not billed for the ambulance trip. Neither of these practices is allowed by the Ambulance Service's write-off policy.

RECOMMENDATION

Trip tickets should be posted to the accounts receivable software application and invoiced currently. All non-emergency Medicare runs should be pre-approved prior to providing service to the patient. The software application should be updated to retain accounts with

zero balances for at least 180 days, and backups should be maintained and verified that the information is accessible. The Ambulance Service should deposit all funds within three days of collection as required by state statute. The write-off policy should address who authorizes write-offs and the required documentation.

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**FINDING 12.08 LEAVE RECORDS WERE NOT ON FILE TO SUPPORT PAYROLL DISBURSEMENTS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Personnel policies adopted by various county officials permit employees to accumulate earned but unused vacation, sick, and compensatory leave. However, the County Mayor's Office did not have documentation on file to support leave for these employees and could not provide us with accrued leave balances at June 30, 2012. Leave records reflecting leave earned, used, and the balance are maintained by each department head; however, these records are not centrally filed. Sound business practices dictate that leave records of employees be centrally filed, and Governmental Accounting Standards Board Statement No. 34 requires that all leave should be accrued when incurred in the government-wide financial statements. However, the omission of these amounts was not considered to be material to the county's financial statements. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The failure to maintain adequate documentation of accumulated leave weakens internal controls over the payroll process, increases the risks of improper payments, and prohibits the presentation of accrued leave balances in the financial statements.

**RECOMMENDATION**

The County Mayor's Office should maintain a summary of accrued leave information by account function for all county offices and departments of the general county government. These records should reflect the dollar value of the leave at the beginning of the year, amount earned, amount used, and the value of the leave at year end.

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**FINDING 12.09 GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

General ledger payroll liability accounts were not reconciled with subsidiary payroll records and payments monthly. The failure to regularly reconcile payroll liability accounts allows errors to remain undiscovered and uncorrected. These errors were not corrected in the financial statements of this report; however, we do not consider the uncorrected amounts to be material to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and any errors discovered should be corrected promptly.

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FINDING 12.10      **INTERFUND RECEIVABLES AND PAYABLES WERE NOT LIQUIDATED ON A CURRENT BASIS**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Management did not liquidate interfund balances on a current basis. Financial statements in this report reflect \$492,796 due to the General Debt Service Fund from the General Fund at June 30, 2012. These interfund balances are the net result of incorrect postings of the contracted prisoner board from 2007-11, as provided by the county's budget allocation of revenue. This finding exists because management failed to correct the finding noted in prior-year audit reports. On September 24, 2012, the County Commission approved the write-off of the interfund receivable of \$492,796 due to the General Debt Service Fund from the General Fund.

RECOMMENDATION

All interfund receivables and payables should be liquidated on a current basis. Receipts should be correctly credited to appropriate funds as determined by the county's budget resolution.

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FINDING 12.11      **TAX ANTICIPATION NOTES WERE NOT RETIRED IN COMPLIANCE WITH STATE STATUTE**  
(Material Noncompliance Under *Government Auditing Standards*)

On August 26, 2011, and December 29, 2011, the General Fund borrowed \$500,000 and \$150,000, respectively, for a total of \$650,000, from the General Debt Service Fund to provide cash for operations. These notes should have been retired by June 30, 2012, but were still outstanding as of that date. Section 9-21-801, *Tennessee Code Annotated*, provides that tax anticipation notes shall mature not later than the close of the fiscal year issued. These notes have been reflected in the financial statements of this report as due to/from other funds in the General and General Debt Service funds.

RECOMMENDATION

All tax anticipation notes should be retired prior to the end of the fiscal year issued as required by state statute.

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## **OFFICE OF ROAD SUPERINTENDENT**

### **FINDING 12.12      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (Material Noncompliance Under *Government Auditing Standards*)**

Our audit revealed the following deficiencies in budget operations:

- A. During the year, some budget amendments were posted to the Highway/Public Works Fund that were not approved by the County Commission. These budget amendments have not been recognized in the financial statements of this report.
- B. Expenditures exceeded appropriations approved by the County Commission in the Highway/Public Works Fund by \$2,363,408 due to encumbering several construction contracts.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to submit all budget amendments to the County Commission, and management failed to hold spending within limits authorized by the County Commission, which resulted in unauthorized expenditures.

## **RECOMMENDATION**

Budget amendments should be submitted to the County Commission for approval, and management should ensure that expenditures are held within appropriations approved by the County Commission.

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## **OFFICES OF TRUSTEE, COUNTY CLERK, AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

### **FINDING 12.13      **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)**

Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, and Circuit and General Sessions Courts Clerk. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to the employee’s receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able

to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the official resulting in a loss of control over assets and the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

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OFFICES OF COUNTY CLERK AND CLERK AND MASTER

FINDING 12.14      **BANK STATEMENTS WERE NOT RECONCILED WITH THE GENERAL LEDGER**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Bank statements had not been reconciled with the general ledger in the Offices of County Clerk and Clerk and Master. The county clerk and the clerk and master attempted reconciliations and identified variances between the bank statements and the general ledger balances on a monthly basis; however these variances were not always corrected. Cash in bank at June 30, 2012, was determined by substantive testing and alternative auditing procedures and is properly presented in the financial statements of this report. This deficiency exists in the County Clerk’s Office because the clerk failed to correct the finding noted in the prior-year audit report. This deficiency exists in the Clerk and Master’s Office due to a lack of management oversight.

RECOMMENDATION

Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly.

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OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK AND CLERK AND MASTER

FINDING 12.15      **EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**  
(Noncompliance Under *Government Auditing Standards*)

At June 30, 2012, the circuit and general sessions courts clerk and the clerk and master prepared trial balances of execution docket cause balances for Circuit, General Sessions, and Chancery courts as required by Section 18-2-104, *Tennessee Code Annotated (TCA)*. However, these trial balances did not reconcile with the general ledger accounts by \$2,465, \$116, and \$6,018, respectively. Therefore, we were unable to determine if the clerks had complied with provisions of the Unclaimed Property Act, Section 66-29-101, *TCA*. This

statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency exists because the clerks failed to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

The execution docket trial balances should be reconciled with cash journal accounts. Any funds held by the courts for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

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**OFFICE OF CLERK AND MASTER**

**FINDING 12.16**      **SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**  
(Noncompliance Under *Government Auditing Standards*)

The clerk and master did not deposit some funds to the bank accounts within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

**RECOMMENDATION**

All funds should be deposited within three days of collection as required by state statute.

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**JACKSON COUNTY**

**FINDING 12.17**      **JACKSON COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Jackson County has a material audit finding that has been reported in its annual financial reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
12.01, 11.01, 10.01	The General Fund required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. The Local Government Modernization Act of 2005 in Section 9-3-405, *Tennessee Code Annotated (TCA)*, encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require that an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under *Government Auditing Standards*. The responsibilities and duties of an Audit Committee are to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics.

#### RECOMMENDATION

Jackson County should establish an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If findings continue to recur, Jackson County may be required to establish an Audit Committee in accordance with provisions of Section 9-3-405, *TCA*.

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#### OFFICES OF COUNTY MAYOR, ROAD SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

#### FINDING 12.18      **DUTIES WERE NOT SEGREGATED ADEQUATELY** (Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Road Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

## **BEST PRACTICE**

### **JACKSON COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

Jackson County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice and would significantly improve accountability and the quality of services provided to the citizens of Jackson County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal awards.

**JACKSON COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2012**

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

**County Mayor – Summary Schedule of Prior-Year's Findings**

**FINDINGS 11.02 and 11.18**

The county completed the Grants to Health Center Programs in the prior year. There were no grant proceeds or expenditures related to this program during the year ended June 30, 2012.