



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF MUNICIPAL AUDIT

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May 31, 2012

Honorable Mayor and Members of the  
Board of Aldermen  
City of Jellico  
410 South Main Street  
Jellico, TN 37762

Ladies and Gentlemen:

Presented herewith is the report on our investigative audit of selected records of the City of Jellico. This investigative audit focused on the period July 1, 2010, through December 31, 2011. However, when the examination warranted, this scope was expanded.

Our examination revealed that the city borrowed money in violation of state law by entering into a bank line-of-credit, creating an invalid or nonconforming obligation. The invalid obligation was used to improperly finance the purchase of a piece of real property at a cost of \$196,000. In addition, the city inappropriately used this line-of-credit to finance other capital projects, such as street paving. Debt issued contrary to Title 9, Chapter 21, *Tennessee Code Annotated*, is subject to restrictions and penalties as set forth in Section 9-21-406, *Tennessee Code Annotated*. According to the recorder, the balance on the line of credit was \$243,031 on March 21, 2012.

Our examination also found that city officials failed to ensure that weight tickets were obtained on a city street paving project. The project was bid on a per ton rate for installed asphalt. However, without weight tickets of delivered asphalt, city officials could not independently determine the accuracy of the project cost. City officials subsequently obtained weight tickets, and from our review of those documents, it appeared that the city did not overpay for the project.

The mayor and members of the board of aldermen should take immediate action to correct these deficiencies. If you have any questions concerning the above matters, please contact me.

Very truly yours

Dennis F. Dycus, CPA, CFE, Director  
Division of Municipal Audit