

**ANNUAL FINANCIAL REPORT  
OF  
JACKSON COUNTY, TENNESSEE  
AND  
JACKSON COUNTY SCHOOL DEPARTMENT**

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2007**



**ANNUAL FINANCIAL REPORT**  
**JACKSON COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*State Auditors*

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

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# ***Audit Highlights***

Annual Financial Report  
Jackson County, Tennessee  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Jackson County as of and for the year ended June 30, 2007.

## ***Results***

Our report on Jackson County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Our audit resulted in 18 findings and recommendations, which we have reviewed with Jackson County management. Detailed findings, recommendations, and managements' responses are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **JACKSON COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The county failed to perform steps set forth in the timeline included in its GASB Statement No. 34 implementation plan filed with the Comptroller's Office.

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### **OFFICE OF COUNTY MAYOR**

- ◆ Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories of the General, Drug Control, and General Debt Service funds.
- ◆ In several instances, purchase orders were either not issued, were issued after the purchases were made, and/or did not disclose descriptions or dollar amounts of the items ordered. Also, several invoices were paid without documentation that goods had been received and/or services had been rendered. In some instances, proper documentation was not on file to support purchases. Furthermore, several line-item expenditures were misclassified on the accounting records.

## **OFFICE OF COUNTY MAYOR (Cont.)**

- ◆ Payables were not determined and recorded on the accounting records for the General Capital Projects Fund. Fund balance reserves posted to the General Fund did not have supporting documentation. Also, general ledger payroll liability accounts were not reconciled with payroll reports and payments.
  - ◆ Certain assets were not included on the inventory, and some items listed did not include all of the information necessary to identify the assets. Also, inventory records were not verified by personnel independent of maintaining the records.
  - ◆ The County Mayor's Office did not have documentation on file to support vacation, sick, or compensatory leave for county employees.
  - ◆ Adequate controls over fuel were not maintained for the fuel dispensed at the Ambulance Service.
- 

## **OFFICE OF ROAD SUPERINTENDENT**

- ◆ Adequate records of the quantity and use of rock were not maintained.
  - ◆ In several instances, purchase orders were not issued, were issued after the purchases were made, and were not dated.
- 

## **OFFICE OF CLERK AND MASTER**

- ◆ The trial balance of execution docket cause balances did not reconcile with general ledger accounts by \$146,232.
  - ◆ Short-term account balances did not reconcile with general ledger controls by \$17,541, and the clerk and master had not attempted to reconcile the differences.
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## **OFFICE OF SHERIFF**

- ◆ The office had a cash shortage of \$1,866 at December 7, 2007. This shortage was a result of not properly accounting for funds received from the County Mayor's Office for undercover drug operations.
  - ◆ Commissary and drug control funds were not posted to the official cash journal and were not reflected on the office's annual financial report. Bank statements for the commissary were not reconciled with cash control records, and funds were not always deposited within three days of collection.
  - ◆ The office did not complete several forms required to document cash transactions for confidential investigative funds. Several forms documenting confidential drug buys and payments to informants were not signed by two officers or the informant.
-

## **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Mayor, Road Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- ◆ The Industrial Development Board of the County of Jackson, Tennessee, a component unit of Jackson County, was not audited as required by state statute.

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## INTRODUCTORY SECTION

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# Jackson County Officials

## June 30, 2007

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### **Officials**

Charlie Hix, County Mayor  
Edward Anderson, Road Superintendent  
Vernon Ragland, Trustee  
Kim Hammock, Assessor of Property  
Belinda Ward, County Clerk  
Aaron Thomas, Circuit and General Sessions Courts Clerk  
Sherrie Osborne, Clerk and Master  
Kim Barham, Register  
Kenneth Bean, Sheriff

### **Board of County Commissioners**

Charlie Hix, Chairman	Charles Hopkins
Scott Allen	Michael Loftis
John Cason	Terry Maberry
Kenneth Craighead	Willard Mayberry
Danny Davis	Billy Myers
Joey Denson	Jeff Smallwood
James Evins	Jack Smith
Pat Forkum	Wayne Wiley
Bruce Hawkins	Kimberly Young
Richard Head	

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

March 7, 2008

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 each major fund and the aggregate remaining fund information of Jackson County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 17 through 40, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. 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 conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial

statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Jackson County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Jackson County, Tennessee, as of June 30, 2007, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Jackson County, Tennessee, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2008, 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.

The budgetary comparison and pension information on pages 43 through 49 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund,

and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Jackson County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<b>ASSETS</b>							
Equity in Pooled Cash and Investments	\$ 682,775	\$ 125,250	\$ 210,870	\$ 1,522,161	\$ 179,380	\$ 130,966	\$ 2,851,402
Accounts Receivable	165,475	0	2,468	401	0	0	168,344
Allowance for Uncollectibles	(57,916)	0	0	0	0	0	(57,916)
Due from Other Governments	118,550	2,510	266,980	0	0	0	388,040
Due from Other Funds	44,418	0	3,311	0	0	0	47,729
Property Taxes Receivable	1,623,844	338,898	156,860	127,087	0	0	2,246,689
Allowance for Uncollectible Property Taxes	(52,123)	(10,881)	(5,066)	(4,081)	0	0	(72,151)
<b>Total Assets</b>	<b>\$ 2,525,023</b>	<b>\$ 455,777</b>	<b>\$ 635,423</b>	<b>\$ 1,645,568</b>	<b>\$ 179,380</b>	<b>\$ 130,966</b>	<b>\$ 5,572,137</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 57,586	\$ 9,144	\$ 170	\$ 0	\$ 0	\$ 0	\$ 66,900
Accrued Payroll	6,000	0	0	0	0	0	6,000
Payroll Deductions Payable	1,678	97	0	0	0	0	1,775
Contracts Payable	0	0	0	0	6,627	0	6,627
Retainage Payable	76,520	0	0	0	172,753	0	249,273
Due to Other Funds	3,291	44,418	0	0	0	0	47,709
Deferred Revenue - Current Property Taxes	1,515,929	316,368	146,292	118,638	0	0	2,097,227
Deferred Revenue - Delinquent Property Taxes	51,386	10,729	4,992	4,023	0	0	71,130
Other Deferred Revenues	141,839	0	133,464	0	0	0	275,303
<b>Total Liabilities</b>	<b>\$ 1,854,229</b>	<b>\$ 380,756</b>	<b>\$ 284,918</b>	<b>\$ 122,661</b>	<b>\$ 179,380</b>	<b>\$ 0</b>	<b>\$ 2,821,944</b>
<b>Fund Balances</b>							
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	\$ 31,809	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,809
Reserved for Sexual Offender Registration	720	0	0	0	0	0	720
Reserved for Courtroom Security	448	0	0	0	0	0	448
Reserved for Courthouse and Jail Maintenance	6,308	0	0	0	0	0	6,308
Reserved for Computer System - Register	8,798	0	0	0	0	0	8,798
Reserved for Automation Purposes - Circuit Court	371	0	0	0	0	0	371
Reserved for Automation Purposes - General Sessions Court	6,682	0	0	0	0	0	6,682

(Continued)

Exhibit A

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

	Major Funds					Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Reserved for Automation Purposes - Chancery Court	\$ 552	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 552
Reserved for Automation Purposes - Sheriff	15,625	0	0	0	0	0	15,625
Unreserved, Reported In:							
General Fund	599,481	0	0	0	0	0	599,481
Special Revenue Funds	0	75,021	350,505	0	0	51,189	476,715
Debt Service Funds	0	0	0	1,522,907	0	0	1,522,907
Capital Projects Funds	0	0	0	0	0	79,777	79,777
Total Fund Balances	<u>\$ 670,794</u>	<u>\$ 75,021</u>	<u>\$ 350,505</u>	<u>\$ 1,522,907</u>	<u>\$ 0</u>	<u>\$ 130,966</u>	<u>\$ 2,750,193</u>
Total Liabilities and Fund Balances	<u>\$ 2,525,023</u>	<u>\$ 455,777</u>	<u>\$ 635,423</u>	<u>\$ 1,645,568</u>	<u>\$ 179,380</u>	<u>\$ 130,966</u>	<u>\$ 5,572,137</u>

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

Exhibit B

Jackson County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 1,838,810	\$ 326,273	\$ 175,759	\$ 122,266	\$ 0	\$ 0	\$ 2,463,108
Licenses and Permits	950	0	0	0	0	0	950
Fines, Forfeitures, and Penalties	62,124	0	0	0	0	66,261	128,385
Charges for Current Services	550,907	0	0	0	0	0	550,907
Other Local Revenues	315,512	1,910	96,986	7,522	35,187	10,425	467,542
Fees Received from County Officials	377,510	0	0	0	0	0	377,510
State of Tennessee	527,707	4,592	1,577,242	0	0	1,848	2,111,389
Federal Government	712,364	0	21,079	0	0	6,915	740,358
Other Governments and Citizens Groups	60,000	0	0	300,930	0	0	360,930
Total Revenues	\$ 4,445,884	\$ 332,775	\$ 1,871,066	\$ 430,718	\$ 35,187	\$ 85,449	\$ 7,201,079
<u>Expenditures</u>							
Current:							
General Government	\$ 636,498	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 636,498
Finance	246,800	0	0	0	0	0	246,800
Administration of Justice	394,526	0	0	0	0	0	394,526
Public Safety	1,347,756	0	0	0	0	65,973	1,413,729
Public Health and Welfare	609,686	348,630	0	0	0	7,500	965,816
Social, Cultural, and Recreational Services	80,884	0	0	0	0	0	80,884
Agriculture and Natural Resources	58,577	0	0	0	0	0	58,577
Other Operations	1,038,780	6,509	0	2,434	0	60,570	1,108,293
Highways	29,990	0	1,852,707	0	0	0	1,882,697
Debt Service:							
Principal on Debt	0	0	48,000	482,881	0	0	530,881
Interest on Debt	0	0	8,747	305,478	0	0	314,225
Other Debt Service	0	0	0	14,671	0	0	14,671
Capital Projects	0	0	0	0	2,047,426	0	2,047,426
Total Expenditures	\$ 4,443,497	\$ 355,139	\$ 1,909,454	\$ 805,464	\$ 2,047,426	\$ 134,043	\$ 9,695,023
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,387	\$ (22,364)	\$ (38,388)	\$ (374,746)	\$ (2,012,239)	\$ (48,594)	\$ (2,493,944)

(Continued)

Exhibit B

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 300,000	\$ 0	\$ 300,000
Other Loans Issued	0	0	0	0	2,012,393	0	2,012,393
Insurance Recovery	38,807	30	608	0	0	0	39,445
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 38,807</u>	<u>\$ 30</u>	<u>\$ 608</u>	<u>\$ 0</u>	<u>\$ 2,312,393</u>	<u>\$ 0</u>	<u>\$ 2,351,838</u>
Net Change in Fund Balances	\$ 41,194	\$ (22,334)	\$ (37,780)	\$ (374,746)	\$ 300,154	\$ (48,594)	\$ (142,106)
Fund Balance, July 1, 2006	629,600	97,355	388,285	1,897,653	(300,154)	179,560	2,892,299
Fund Balance, June 30, 2007	<u>\$ 670,794</u>	<u>\$ 75,021</u>	<u>\$ 350,505</u>	<u>\$ 1,522,907</u>	<u>\$ 0</u>	<u>\$ 130,966</u>	<u>\$ 2,750,193</u>

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

Exhibit C

Jackson County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 756,884
Investments	180,873
Accounts Receivable	501
Due from Other Governments	48,103
Cash Shortage	<u>1,866</u>
Total Assets	<u>\$ 988,227</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 48,103
Due to Litigants, Heirs, and Others	<u>940,124</u>
Total Liabilities	<u>\$ 988,227</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, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Jackson County's financial statements are not 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.

Jackson County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. Jackson County has elected instead to implement only the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Jackson County's auditor to issue an adverse opinion on the county's financial statements.

Although Jackson County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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).

**Blended Component Units** – There are no legally separate component units of Jackson County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since Jackson County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those 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 Industrial Development Board of the County of Jackson, Tennessee, promotes industrial development in the county to provide employment for its citizens. The County Commission appoints all seven members of the board. The county also services debt on behalf of the board. The primary funding for the board is lease payments for industrial buildings. An annual audit has not been performed on the board for the year ended June 30, 2007.

The Jackson County School Department and the Jackson County Emergency Communications District issue separate financial statements from those of the county. The Industrial Development Board of the County of Jackson, Tennessee, has not published audited financial statements for the year. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Jackson County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Jackson County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

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

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

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. However, Jackson County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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 fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred,

regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 fund accounts for transactions relating to the disposal of Jackson County’s solid waste.

**Highway/Public Works Fund** – This fund accounts for the transactions of the county’s Highway Department.

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

**General Capital Projects Fund** – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, Jackson County reports the following fund type:

**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.

**C. 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Jackson County and Jackson County School Department 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. Most income from these pooled investments is assigned to the county's General Fund. Jackson County and the Jackson County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit 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.

## 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 1.7 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.

Retainage payable in the General Fund and the General Capital Projects 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.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Jackson County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Jackson County does not present government-wide statements.

**4. Compensated Absences**

It is the county's policy to permit employees to accumulate earned but unused vacation benefits, which will be paid to governmental employees upon separation of service. The cost of vacation benefits is recognized when payments are made to employees. 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, these amounts would be immaterial to the financial statements of the county. The county's policy does not allow for the accumulation of unused sick leave beyond year-end. The general policy of the Highway Department does not allow for the accumulation of unused vacation and sick days beyond year end.

**5. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial

statements. Liabilities and expenditures for other long-term obligations, including compensated absences, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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.

## **6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## **II. 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 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 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 State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, 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 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.

**B. Cash Shortage**

The Sheriff's Department had a cash shortage of \$1,866 on June 30, 2007. This shortage was a result of not properly accounting for funds received from the county's Drug Control Fund for undercover drug operations. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations approved by the County Commission in the General Fund by \$82,450.

In addition, expenditures exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Drug Control	Alcohol and Drug Programs	\$ 2,000
General Debt Service	Other Debt Service - General Government	13,662

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

**III. 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 Jackson County School Department meets the criteria for a discretely presented component unit of Jackson County. Since Jackson County is presenting fund financial statements only, the financial information for the Jackson County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, 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 and investments reflected in the agency funds financial statements represent nonpooled amounts held separately by individual funds.

## Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. 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 the 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government, or obligations guaranteed by the U.S. government, or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2007, Jackson County had the following investments carried at cost or fair value. All of these investments were made on behalf of litigants at the direction of a court order and are held in the Clerk and Master's Office.

Investment	Maturities	Fair Value or Cost
Ameriprise SPS Advantage	On Demand	\$ 82,037
Ameriprise Growth FD (A) Fund	On Demand	4,900
Ameriprise Part Select Value (A) Fund	On Demand	6,597
Ameriprise Large Cap Equity (A) Fund	On Demand	12,603
Ameriprise Mutual Funds	On Demand	<u>74,736</u>
Total		<u>\$ 180,873</u>

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Jackson County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Jackson County has no investment policy that would further limit its investment choices. As of June 30, 2007, Jackson County's investments in Ameriprise Mutual Funds were not rated.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Jackson County does not have a formal policy that limits custodial credit risk for investments. The underlying securities for the \$180,873 were uninsured and held by the investment's counterparty, not in the name of the county. However, it should be noted that these amounts are invested on behalf of litigants at the order of the court and the county has no custodial credit risk for these investments.

**B. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
General	Solid Waste Sanitation	\$ 44,418
Highway/Public Works	General	3,311

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.

A portion of the receivable in the Highway/Public Works Fund (\$20) was in transit from the General Fund at June 30, 2007.

**C. Capital Lease**

On June 25, 2002, Jackson County entered into a five-year lease-purchase agreement for defibrillators and monitors for the Ambulance Service. The terms of this agreement call for total lease payments of \$63,023 plus interest at 9.9 percent. Title to the equipment transfers to Jackson County at the end of the lease period. The lease payments are made by the General Debt Service Fund.

Since Jackson County is presenting fund financial statements only, the present value of minimum lease payments under the lease agreement has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Jackson County is not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 2,673
Total Minimum Lease Payments	\$ 2,673
Amount Representing Interest	(572)
Present Value of Minimum Lease Payments	<u>\$ 2,101</u>

**D. Long-term Debt**

Since Jackson County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Jackson County is not presenting government-wide financial statements.

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 nine 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, 2007, will be retired from the General Debt Service Fund and the Highway/Public Works Fund.

General obligation bonds, capital outlay notes, other loans, and the capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	3.342 to 5.683 %	\$ 3,920,000	\$ 2,681,800
Capital Outlay Notes	3.15 to 5.4	1,262,644	642,964
Other Loan	variable	4,700,000	4,493,000
Capital Lease	9.9	63,023	2,101

In prior years, Jackson County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$3,500,000 to Jackson County for jail construction. 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 county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2007, the variable interest rate was 3.87 percent and other fees amounted to approximately .2 percent (letter of credit), .08 percent (remarketing), and a trustee fee of \$85 per month.

In the current year, Jackson County entered into a second loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$1,200,000 to Jackson County for jail construction. As of June 30, 2007, Jackson County had borrowed the entire amount of the loan. This loan is repayable at an interest rate that is a tax-exempt variable interest rate 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 this loan. At June 30, 2007, the variable interest rate was 3.87 percent and other fees amounted to approximately .2 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, 2007, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 189,400	\$ 127,438	\$ 121,574	\$ 30,911
2009	196,700	119,262	127,029	25,291
2010	201,900	109,588	394,361	15,934
2011	212,100	100,594	0	0
2012	216,400	90,937	0	0
2013-2017	1,228,800	291,323	0	0
2018-2019	436,500	29,990	0	0
<b>Total</b>	<b>\$ 2,681,800</b>	<b>\$ 869,132</b>	<b>\$ 642,964</b>	<b>\$ 72,136</b>

Year Ending June 30	Other Loan (\$3,500,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 108,000	\$ 127,439	\$ 10,240	\$ 245,679
2009	111,000	123,260	9,938	244,198
2010	114,000	118,964	9,627	242,591
2011	118,000	114,552	9,308	241,860
2012	121,000	109,985	8,977	239,962
2013-2017	665,000	476,590	39,582	1,181,172
2018-2022	769,000	340,057	29,704	1,138,761
2023-2027	891,000	182,083	18,274	1,091,357
2028-2029	396,000	23,104	3,712	422,816
<b>Total</b>	<b>\$ 3,293,000</b>	<b>\$ 1,616,034</b>	<b>\$ 139,362</b>	<b>\$ 5,048,396</b>

Year Ending June 30	Other Loan (\$1,200,000)			
	Principal	Interest	Other Fees	Total
2008	\$ 27,000	\$ 46,440	\$ 4,380	\$ 77,820
2009	28,000	45,395	4,304	77,699
2010	30,000	44,311	4,226	78,537
2011	31,000	43,150	4,142	78,292
2012	33,000	41,951	4,055	79,006
2013-2017	190,000	189,436	18,806	398,242
2018-2022	242,000	148,763	15,863	406,626
2023-2027	310,000	96,944	12,114	419,058
2028-2031	309,000	30,612	6,295	345,907
<b>Total</b>	<b>\$ 1,200,000</b>	<b>\$ 687,002</b>	<b>\$ 74,185</b>	<b>\$ 1,961,187</b>

There is \$1,522,907 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$244, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$712, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2006	\$ 2,865,000	\$ 573,041	\$ 14,705
Additions	0	300,000	0
Deductions	(183,200)	(230,077)	(12,604)
Balance, June 30, 2007	\$ 2,681,800	\$ 642,964	\$ 2,101
Balance Due Within One Year	\$ 189,400	\$ 121,574	\$ 2,101

	Other Loans
Balance, July 1, 2006	\$ 2,585,607
Additions	2,012,393
Deductions	(105,000)
Balance, June 30, 2007	\$ 4,493,000
Balance Due Within One Year	\$ 135,000

**E. Short-term Debt**

Jackson County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

#### IV. OTHER INFORMATION

##### A. Risk Management

Jackson County's risks of loss relating to general liability, property, casualty, and workers' compensation (with the exception of the general government's workers' compensation coverage) 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.

Jackson County (with the exception of the Highway Department) joined 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.

##### B. Subsequent Event

On September 6, 2007, Jackson County issued \$85,688 in capital outlay notes for bridge repair.

##### C. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates 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 Tri-County Vocational School Board operates the Cooperative Vocational School, which is jointly owned by Clay, Jackson, and Macon counties. The board comprises 17 members, 11 of whom are the three directors of schools, three county mayors, and five high school principals from Clay, Jackson, and Macon counties. The remaining six members are each appointed by the three county school boards and county commissions. Clay, Jackson, and Macon counties have control over budgeting and financing the joint venture only to the extent of representation by the six board members appointed. The counties are responsible for funding operations and any deficits from operations based on their participation in the joint venture, which is 24 percent (Clay), 30 percent (Jackson), and 46 percent (Macon); however, the counties do not retain an equity interest in the joint venture. Jackson County

contributed \$74,767 to the operations of the board during the year. Complete financial statements for the Tri-County Vocational School can be obtained from its administrative office:

Administrative Office:

Tri-County Vocational School  
P.O. Box 214, Highway 151  
Red Boiling Springs, TN 37150

**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**

**Employees**

**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 Jackson 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.treasury.state.tn.us/tcrs/PS/>.

### **Funding Policy**

Jackson County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 7.1 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Jackson County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2007, Jackson County's annual pension cost of \$206,209 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Jackson 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, 2005, was 19 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### **Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$206,209	100%	\$0
6-30-06	172,280	100	0
6-30-05	164,106	100	0

**G. 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 \$5,000 (\$10,000 effective May 10, 2007) 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,838,810	\$ 1,767,950	\$ 1,767,950	\$ 70,860
Licenses and Permits	950	2,000	2,000	(1,050)
Fines, Forfeitures, and Penalties	62,124	39,800	39,800	22,324
Charges for Current Services	550,907	572,150	578,787	(27,880)
Other Local Revenues	315,512	247,500	264,624	50,888
Fees Received from County Officials	377,510	376,000	376,000	1,510
State of Tennessee	527,707	476,066	476,066	51,641
Federal Government	712,364	39,000	715,459	(3,095)
Other Governments and Citizens Groups	60,000	0	0	60,000
<b>Total Revenues</b>	<b>\$ 4,445,884</b>	<b>\$ 3,520,466</b>	<b>\$ 4,220,686</b>	<b>\$ 225,198</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 36,245	\$ 45,804	\$ 46,904	\$ 10,659
Board of Equalization	450	750	750	300
Beer Board	39	200	200	161
Budget and Finance Committee	0	646	646	646
Other Boards and Committees	404	431	431	27
County Mayor/Executive	127,756	127,774	127,774	18
County Attorney	5,134	5,635	5,635	501
Election Commission	237,099	113,211	250,661	13,562
Register of Deeds	84,093	85,658	85,658	1,565
County Buildings	145,278	116,658	141,835	(3,443)
<u>Finance</u>				
Property Assessor's Office	81,335	83,990	83,990	2,655
Reappraisal Program	5,469	7,796	7,557	2,088
County Trustee's Office	73,140	73,230	73,230	90
County Clerk's Office	86,856	89,757	89,757	2,901
<u>Administration of Justice</u>				
Circuit Court	142,826	149,313	149,443	6,617
General Sessions Court	0	97,530	0	0
General Sessions Judge	106,080	0	109,856	3,776
Chancery Court	78,980	80,040	80,040	1,060
Juvenile Court	27,800	28,077	28,077	277
Judicial Commissioners	34,718	35,812	35,812	1,094
Other Administration of Justice	4,122	4,854	4,854	732
<u>Public Safety</u>				
Sheriff's Department	970,752	903,001	958,567	(12,185)
Administration of the Sexual Offender Registry	415	500	1,260	845
Jail	310,672	187,972	209,982	(100,690)
Fire Prevention and Control	24,500	16,500	16,500	(8,000)
Other Emergency Management	41,416	42,500	42,500	1,084
Other Public Safety	1	5,000	309	308

(Continued)

Exhibit D-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	\$ 26,696	\$ 37,243	\$ 37,243	\$ 10,547
Ambulance/Emergency Medical Services	559,142	548,067	556,771	(2,371)
Crippled Children Services	900	900	900	0
Regional Mental Health Center	4,648	4,648	4,648	0
Appropriation to State	15,300	15,300	15,300	0
General Welfare Assistance	1,000	1,000	1,000	0
Other Local Welfare Services	2,000	2,000	2,000	0
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	17,067	16,736	17,075	8
Senior Citizens Assistance	17,057	16,736	17,103	46
Libraries	46,760	45,613	46,815	55
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	37,115	42,113	42,113	4,998
Soil Conservation	21,462	21,461	21,461	(1)
<u>Other Operations</u>				
Industrial Development	4,982	5,000	5,000	18
Housing and Urban Development	496,653	0	496,654	1
Other Economic and Community Development	0	500	500	500
Airport	35,866	5,400	16,080	(19,786)
Other Charges	255,654	276,900	257,633	1,979
Employee Benefits	96,537	95,000	107,392	10,855
Miscellaneous	149,088	126,327	133,140	(15,948)
<u>Highways</u>				
Litter and Trash Collection	29,990	29,991	29,991	1
Total Expenditures	<u>\$ 4,443,497</u>	<u>\$ 3,593,574</u>	<u>\$ 4,361,047</u>	<u>\$ (82,450)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 2,387</u>	<u>\$ (73,108)</u>	<u>\$ (140,361)</u>	<u>\$ 142,748</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	<u>\$ 38,807</u>	<u>\$ 0</u>	<u>\$ 38,776</u>	<u>\$ 31</u>
Total Other Financing Sources (Uses)	<u>\$ 38,807</u>	<u>\$ 0</u>	<u>\$ 38,776</u>	<u>\$ 31</u>
Net Change in Fund Balance				
Fund Balance, July 1, 2006	<u>\$ 41,194</u>	<u>\$ (73,108)</u>	<u>\$ (101,585)</u>	<u>\$ 142,779</u>
Fund Balance, June 30, 2007	<u>\$ 629,600</u>	<u>\$ 636,596</u>	<u>\$ 636,596</u>	<u>\$ (6,996)</u>
Fund Balance, June 30, 2007				
	<u>\$ 670,794</u>	<u>\$ 563,488</u>	<u>\$ 535,011</u>	<u>\$ 135,783</u>

Exhibit D-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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 326,273	\$ 318,120	\$ 318,120	\$ 8,153
Other Local Revenues	1,910	3,000	46,993	(45,083)
State of Tennessee	4,592	6,000	6,000	(1,408)
Total Revenues	<u>\$ 332,775</u>	<u>\$ 327,120</u>	<u>\$ 371,113</u>	<u>\$ (38,338)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 219,367	\$ 220,016	\$ 220,016	\$ 649
Convenience Centers	129,263	150,395	194,388	65,125
<u>Other Operations</u>				
Other Charges	6,509	7,000	7,000	491
Total Expenditures	<u>\$ 355,139</u>	<u>\$ 377,411</u>	<u>\$ 421,404</u>	<u>\$ 66,265</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (22,364)</u>	<u>\$ (50,291)</u>	<u>\$ (50,291)</u>	<u>\$ 27,927</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 30	\$ 0	\$ 0	\$ 30
Total Other Financing Sources (Uses)	<u>\$ 30</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 30</u>
Net Change in Fund Balance	\$ (22,334)	\$ (50,291)	\$ (50,291)	\$ 27,957
Fund Balance, July 1, 2006	97,355	108,862	108,862	(11,507)
Fund Balance, June 30, 2007	<u>\$ 75,021</u>	<u>\$ 58,571</u>	<u>\$ 58,571</u>	<u>\$ 16,450</u>

Exhibit D-3

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 175,759	\$ 156,105	\$ 165,863	\$ 9,896
Other Local Revenues	96,986	73,000	89,810	7,176
State of Tennessee	1,577,242	1,381,836	1,524,040	53,202
Federal Government	21,079	0	21,078	1
Total Revenues	<u>\$ 1,871,066</u>	<u>\$ 1,610,941</u>	<u>\$ 1,800,791</u>	<u>\$ 70,275</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 128,879	\$ 131,767	\$ 132,767	\$ 3,888
Highway and Bridge Maintenance	1,051,519	995,835	1,152,235	100,716
Operation and Maintenance of Equipment	385,068	457,500	404,000	18,932
Other Charges	52,952	73,650	58,950	5,998
Employee Benefits	94,698	102,000	102,000	7,302
Capital Outlay	139,591	18,500	141,029	1,438
<u>Principal on Debt</u>				
Highways and Streets	48,000	56,700	48,000	0
<u>Interest on Debt</u>				
Highways and Streets	8,747	0	8,750	3
Total Expenditures	<u>\$ 1,909,454</u>	<u>\$ 1,835,952</u>	<u>\$ 2,047,731</u>	<u>\$ 138,277</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (38,388)</u>	<u>\$ (225,011)</u>	<u>\$ (246,940)</u>	<u>\$ 208,552</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 608	\$ 0	\$ 0	\$ 608
Total Other Financing Sources (Uses)	<u>\$ 608</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 608</u>
Net Change in Fund Balance	\$ (37,780)	\$ (225,011)	\$ (246,940)	\$ 209,160
Fund Balance, July 1, 2006	<u>388,285</u>	<u>281,286</u>	<u>281,286</u>	<u>106,999</u>
Fund Balance, June 30, 2007	<u>\$ 350,505</u>	<u>\$ 56,275</u>	<u>\$ 34,346</u>	<u>\$ 316,159</u>

Exhibit D-4

Jackson County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

(Dollar amounts in thousands)

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)
6-30-05	\$ 3,751	\$ 3,855	104	97.32 %	\$ 2,310	4.47 %
6-30-03	3,141	3,249	108	96.68	2,225	4.85
6-30-01	2,600	2,761	161	94.17	2,142	7.52

**JACKSON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**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 State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, 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.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded total appropriations approved by the County Commission in the General Fund by \$82,450. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

## Capital Projects Fund

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

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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 E-1

Jackson County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	Special Revenue Fund <u>Drug Control</u>	Capital Projects Fund <u>Community Development/ Industrial Park</u>	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 51,189	\$ 79,777	\$ 130,966
Total Assets	<u>\$ 51,189</u>	<u>\$ 79,777</u>	<u>\$ 130,966</u>
<u>FUND BALANCES</u>			
Unreserved	<u>\$ 51,189</u>	<u>\$ 79,777</u>	<u>\$ 130,966</u>
Total Fund Balances	<u>\$ 51,189</u>	<u>\$ 79,777</u>	<u>\$ 130,966</u>

Exhibit E-2

Jackson County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2007

	Special Revenue Fund <u>Drug Control</u>	Capital Projects Fund <u>Community Development/ Industrial Park</u>	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	\$ 66,261	\$ 0	\$ 66,261
Other Local Revenues	0	10,425	10,425
State of Tennessee	1,848	0	1,848
Federal Government	6,915	0	6,915
Total Revenues	<u>\$ 75,024</u>	<u>\$ 10,425</u>	<u>\$ 85,449</u>
<u>Expenditures</u>			
Current:			
Public Safety	\$ 65,973	\$ 0	\$ 65,973
Public Health and Welfare	7,500	0	7,500
Other Operations	0	60,570	60,570
Total Expenditures	<u>\$ 73,473</u>	<u>\$ 60,570</u>	<u>\$ 134,043</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,551</u>	<u>\$ (50,145)</u>	<u>\$ (48,594)</u>
Net Change in Fund Balances	\$ 1,551	\$ (50,145)	\$ (48,594)
Fund Balance, July 1, 2006	49,638	129,922	179,560
Fund Balance, June 30, 2007	<u>\$ 51,189</u>	<u>\$ 79,777</u>	<u>\$ 130,966</u>

Exhibit E-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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 66,261	\$ 33,500	\$ 65,229	\$ 1,032
State of Tennessee	1,848	0	0	1,848
Federal Government	6,915	0	9,834	(2,919)
Other Governments and Citizens Groups	0	2,500	2,500	(2,500)
Total Revenues	<u>\$ 75,024</u>	<u>\$ 36,000</u>	<u>\$ 77,563</u>	<u>\$ (2,539)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 65,973	\$ 40,301	\$ 78,864	\$ 12,891
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	7,500	2,500	5,500	(2,000)
Total Expenditures	<u>\$ 73,473</u>	<u>\$ 42,801</u>	<u>\$ 84,364</u>	<u>\$ 10,891</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,551</u>	<u>\$ (6,801)</u>	<u>\$ (6,801)</u>	<u>\$ 8,352</u>
Net Change in Fund Balance	\$ 1,551	\$ (6,801)	\$ (6,801)	\$ 8,352
Fund Balance, July 1, 2006	<u>49,638</u>	<u>36,719</u>	<u>36,719</u>	<u>12,919</u>
Fund Balance, June 30, 2007	<u>\$ 51,189</u>	<u>\$ 29,918</u>	<u>\$ 29,918</u>	<u>\$ 21,271</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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Exhibit F

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 122,266	\$ 118,820	\$ 118,820	\$ 3,446
Other Local Revenues	7,522	7,500	7,500	22
Other Governments and Citizens Groups	300,930	300,930	300,930	0
Total Revenues	<u>\$ 430,718</u>	<u>\$ 427,250</u>	<u>\$ 427,250</u>	<u>\$ 3,468</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 2,434	\$ 3,000	\$ 3,000	\$ 566
<u>Principal on Debt</u>				
General Government	312,881	256,016	317,589	4,708
Education	170,000	17,000	170,000	0
<u>Interest on Debt</u>				
General Government	174,548	135,140	185,126	10,578
Education	130,930	130,930	130,930	0
<u>Other Debt Service</u>				
General Government	14,162	500	500	(13,662)
Education	509	510	510	1
Total Expenditures	<u>\$ 805,464</u>	<u>\$ 543,096</u>	<u>\$ 807,655</u>	<u>\$ 2,191</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (374,746)</u>	<u>\$ (115,846)</u>	<u>\$ (380,405)</u>	<u>\$ 5,659</u>
Net Change in Fund Balance	\$ (374,746)	\$ (115,846)	\$ (380,405)	\$ 5,659
Fund Balance, July 1, 2006	<u>1,897,653</u>	<u>1,906,007</u>	<u>1,906,007</u>	<u>(8,354)</u>
Fund Balance, June 30, 2007	<u>\$ 1,522,907</u>	<u>\$ 1,790,161</u>	<u>\$ 1,525,602</u>	<u>\$ (2,695)</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 G-1

Jackson County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 756,884	\$ 756,884
Investments	0	180,873	180,873
Accounts Receivable	0	501	501
Due from Other Governments	48,103	0	48,103
Cash Shortage	0	1,866	1,866
Total Assets	<u>\$ 48,103</u>	<u>\$ 940,124</u>	<u>\$ 988,227</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 48,103	\$ 0	\$ 48,103
Due to Litigants, Heirs, and Others	0	940,124	940,124
Total Liabilities	<u>\$ 48,103</u>	<u>\$ 940,124</u>	<u>\$ 988,227</u>

Exhibit G-2

Jackson County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 304,741	\$ 304,741	\$ 0
Due from Other Governments	50,161	48,103	50,161	48,103
<b>Total Assets</b>	<b>\$ 50,161</b>	<b>\$ 352,844</b>	<b>\$ 354,902</b>	<b>\$ 48,103</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 50,161	\$ 352,844	\$ 354,902	\$ 48,103
<b>Total Liabilities</b>	<b>\$ 50,161</b>	<b>\$ 352,844</b>	<b>\$ 354,902</b>	<b>\$ 48,103</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 476,165	\$ 2,719,702	\$ 2,438,983	\$ 756,884
Investments	181,565	180,873	181,565	180,873
Accounts Receivable	8,212	501	8,212	501
Cash Shortage	0	1,866	0	1,866
<b>Total Assets</b>	<b>\$ 665,942</b>	<b>\$ 2,902,942</b>	<b>\$ 2,628,760</b>	<b>\$ 940,124</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 665,942	\$ 2,902,942	\$ 2,628,760	\$ 940,124
<b>Total Liabilities</b>	<b>\$ 665,942</b>	<b>\$ 2,902,942</b>	<b>\$ 2,628,760</b>	<b>\$ 940,124</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 304,741	\$ 304,741	\$ 0
Cash	476,165	2,719,702	2,438,983	756,884
Investments	181,565	180,873	181,565	180,873
Accounts Receivable	8,212	501	8,212	501
Due from Other Governments	50,161	48,103	50,161	48,103
Cash Shortage	0	1,866	0	1,866
<b>Total Assets</b>	<b>\$ 716,103</b>	<b>\$ 3,255,786</b>	<b>\$ 2,983,662</b>	<b>\$ 988,227</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 50,161	\$ 352,844	\$ 354,902	\$ 48,103
Due to Litigants, Heirs, and Others	665,942	2,902,942	2,628,760	940,124
<b>Total Liabilities</b>	<b>\$ 716,103</b>	<b>\$ 3,255,786</b>	<b>\$ 2,983,662</b>	<b>\$ 988,227</b>

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Jackson County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Lease, Other Loans, and Bonds  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Courthouse Renovation	\$ 340,000	3.5 %	4-9-01	4-9-10	\$ 151,363	\$ 0	\$ 36,509	\$ 114,854
Garbage Truck and Dumpsters	170,144	4	6-18-04	6-17-09	106,071	0	33,961	72,110
Ambulance	67,500	3.15	2-20-04	2-20-07	17,473	0	17,473	0
Patrol Cars	25,000	3.35	4-27-04	2-26-07	8,614	0	8,614	0
Road Repairs	50,000	4.25	6-2-05	6-2-07	25,520	0	25,520	0
Patrol Cars	60,000	4.1	8-4-05	8-4-06	60,000	0	60,000	0
Jail Construction	300,000	5.4	3-1-07	3-1-10	0	300,000	0	300,000
Total Payable through General Debt Service Fund					<u>\$ 369,041</u>	<u>\$ 300,000</u>	<u>\$ 182,077</u>	<u>\$ 486,964</u>
<u>Payable through Highway/Public Works Fund</u>								
Street and Road Improvements	250,000	4.24	5-26-05	5-1-10	\$ 204,000	\$ 0	\$ 48,000	\$ 156,000
Total Notes Payable					<u>\$ 573,041</u>	<u>\$ 300,000</u>	<u>\$ 230,077</u>	<u>\$ 642,964</u>
<u>CAPITAL LEASE PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Defibrillator/Monitors	63,023	9.9	6-25-02	9-30-07	\$ 14,705	\$ 0	\$ 12,604	\$ 2,101
<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	\$ 2,585,607	\$ 812,393	\$ 105,000	\$ 3,293,000
Jail Construction	1,200,000	Variable	10-23-06	5-25-31	0	1,200,000	0	1,200,000
Total Other Loans Payable					<u>\$ 2,585,607</u>	<u>\$ 2,012,393</u>	<u>\$ 105,000</u>	<u>\$ 4,493,000</u>

(Continued)

Exhibit H-1

Jackson County, Tennessee

Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Industrial Park (F.H.A.)	\$ 110,000	5 %	8-29-1975	1-1-15	\$ 46,500	\$ 0	\$ 4,200	\$ 42,300
Solid Waste (F.H.A.)	44,000	5.683	3-3-1978	1-1-08	6,000	0	3,000	3,000
Public Works (F.H.A.)	26,000	5	4-28-1978	1-1-18	13,500	0	1,000	12,500
Recreational Facility (F.H.A.)	115,000	3.342	8-21-1981	1-1-11	29,000	0	5,000	24,000
School	1,200,000	4.2 to 5	3-12-1998	6-1-18	985,000	0	65,000	920,000
School	2,425,000	3.6 to 4.9	5-1-1999	4-1-19	1,785,000	0	105,000	1,680,000
Total Bonds Payable					\$ 2,865,000	\$ 0	\$ 183,200	\$ 2,681,800

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	F.H.A. Bond Requirements	F.H.A. Interest Requirements	Total Requirements
2008	\$ 175,000	\$ 123,725	\$ 14,400	\$ 3,713	\$ 316,838
2009	185,000	116,190	11,700	3,072	315,962
2010	190,000	107,003	11,900	2,586	311,489
2011	200,000	98,503	12,100	2,091	312,694
2012	210,000	89,352	6,400	1,585	307,337
2013	215,000	79,572	6,700	1,265	302,537
2014	235,000	69,455	6,900	930	312,285
2015	240,000	58,230	7,200	585	306,015
2016	255,000	46,650	1,500	225	303,375
2017	260,000	34,260	1,500	150	295,910
2018	265,000	21,500	1,500	75	288,075
2019	170,000	8,415	0	0	178,415
Total	\$ 2,600,000	\$ 852,855	\$ 81,800	\$ 16,277	\$ 3,550,932

Exhibit H-3

Jackson County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 53,787	\$ 25,000	Western Surety Company
Road Superintendent	Section 8-24-102, <u>TCA</u> , and Jackson County Commission	55,008 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	46,569	375,400	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	46,569	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	50,745 (2)	25,000	"
Register	Section 8-24-102, <u>TCA</u>	46,569	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	51,745 (3)	25,000	"
Employee Blanket Bond Coverage:				
General County Employees			150,000	Local Government Property and Casualty

- (1) Includes an additional appropriation of \$3,782.
- (2) Includes special commissioner fees of \$4,176.
- (3) Includes law enforcement training supplement of \$519.

Exhibit H-4

Jackson County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2007

	Special Revenue Funds				Debt Service	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,441,086	\$ 300,908	\$ 0	\$ 137,698	\$ 112,840	\$ 0	\$ 0	\$ 1,992,532
Trustee's Collections - Prior Year	67,126	14,017	0	6,725	5,171	0	0	93,039
Circuit/Clerk & Master Collections - Prior Years	24,400	5,467	0	3,381	2,050	0	0	35,298
Interest and Penalty	21,733	4,538	0	931	1,702	0	0	28,904
<u>County Local Option Taxes</u>								
Local Option Sales Tax	112,273	0	0	0	0	0	0	112,273
Litigation Tax - General	28,215	0	0	0	0	0	0	28,215
Litigation Tax - Jail, Workhouse, or Courthouse	16,595	0	0	0	0	0	0	16,595
Business Tax	23,127	0	0	0	0	0	0	23,127
Mineral Severance Tax	0	0	0	26,410	0	0	0	26,410
Other County Local Option Taxes	19,215	0	0	0	0	0	0	19,215
<u>Statutory Local Taxes</u>								
Bank Excise Tax	6,430	1,343	0	614	503	0	0	8,890
Wholesale Beer Tax	75,892	0	0	0	0	0	0	75,892
Beer Privilege Tax	1,045	0	0	0	0	0	0	1,045
Interstate Telecommunications Tax	1,673	0	0	0	0	0	0	1,673
<b>Total Local Taxes</b>	<b>\$ 1,838,810</b>	<b>\$ 326,273</b>	<b>\$ 0</b>	<b>\$ 175,759</b>	<b>\$ 122,266</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,463,108</b>
<u>Licenses and Permits</u>								
<u>Permits</u>								
Beer Permits	\$ 950	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 950
<b>Total Licenses and Permits</b>	<b>\$ 950</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 950</b>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 5,058	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,058
Officers Costs	106	0	0	0	0	0	0	106
Game and Fish Fines	36	0	0	0	0	0	0	36
Data Entry Fee - Circuit Court	223	0	0	0	0	0	0	223
<u>General Sessions Court</u>								
Fines	25,838	0	0	0	0	0	0	25,838
Officers Costs	2,067	0	0	0	0	0	0	2,067

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Fund General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>General Sessions Court (Cont.)</u>								
Game and Fish Fines	\$ 386	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 386
Drug Control Fines	0	0	34,039	0	0	0	0	34,039
Jail Fees	15,619	0	0	0	0	0	0	15,619
DUI Treatment Fines	4,237	0	0	0	0	0	0	4,237
Data Entry Fee - General Sessions Court	4,703	0	0	0	0	0	0	4,703
Courtroom Security Fee	366	0	0	0	0	0	0	366
<u>Chancery Court</u>								
Officers Costs	1,005	0	0	0	0	0	0	1,005
Data Entry Fee - Chancery Court	1,395	0	0	0	0	0	0	1,395
<u>Judicial District Drug Program</u>								
Courtroom Security Fee	30	0	0	0	0	0	0	30
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	1,055	0	32,222	0	0	0	0	33,277
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 62,124</b>	<b>\$ 0</b>	<b>\$ 66,261</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 128,385</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 518,142	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 518,142
<u>Fees</u>								
Copy Fees	3,250	0	0	0	0	0	0	3,250
Telephone Commissions	1,621	0	0	0	0	0	0	1,621
Vending Machine Collections	8	0	0	0	0	0	0	8
Constitutional Officers' Fees and Commissions	314	0	0	0	0	0	0	314
Data Processing Fee - Register	5,532	0	0	0	0	0	0	5,532
Sexual Offender Registration Fees - Sheriff	760	0	0	0	0	0	0	760
<u>Education Charges</u>								
Tuition - Other	21,280	0	0	0	0	0	0	21,280
<b>Total Charges for Current Services</b>	<b>\$ 550,907</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 550,907</b>
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 290,160	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 290,160

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Fund Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Other Local Revenues (Cont.)</u>								
<u>Recurring Items (Cont.)</u>								
Lease/Rentals	\$ 2,925	\$ 0	\$ 0	\$ 0	\$ 7,510	\$ 0	\$ 10,425	\$ 20,860
Sale of Materials and Supplies	757	0	0	4,647	0	0	0	5,404
Commissary Sales	3,541	0	0	0	0	0	0	3,541
Sale of Gasoline	211	0	0	75,135	0	0	0	75,346
Miscellaneous Refunds	9,630	0	0	394	12	35,187	0	45,223
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	0	16,810	0	0	0	16,810
Contributions and Gifts	500	0	0	0	0	0	0	500
<u>Other Local Revenues</u>								
Other Local Revenues	7,788	1,910	0	0	0	0	0	9,698
<b>Total Other Local Revenues</b>	<b>\$ 315,512</b>	<b>\$ 1,910</b>	<b>\$ 0</b>	<b>\$ 96,986</b>	<b>\$ 7,522</b>	<b>\$ 35,187</b>	<b>\$ 10,425</b>	<b>\$ 467,542</b>
<u>Fees Received from County Officials</u>								
<u>Fees-In-Lieu of Salary</u>								
County Clerk	\$ 66,526	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66,526
Circuit Court Clerk	29,307	0	0	0	0	0	0	29,307
General Sessions Court Clerk	64,890	0	0	0	0	0	0	64,890
Clerk and Master	29,001	0	0	0	0	0	0	29,001
Register	58,734	0	0	0	0	0	0	58,734
Sheriff	3,841	0	0	0	0	0	0	3,841
Trustee	125,211	0	0	0	0	0	0	125,211
<b>Total Fees Received from County Officials</b>	<b>\$ 377,510</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 377,510</b>
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	12,987	0	0	0	0	0	0	12,987
Solid Waste Grants	0	4,592	0	0	0	0	0	4,592
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	6,000	0	0	0	0	0	0	6,000
Other Public Safety Grants	902	0	0	0	0	0	0	902

(Continued)

Exhibit H-4

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

	General	Special Revenue Funds			Debt Service	Capital Projects Funds		Total
		Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>State of Tennessee (Cont.)</u>								
<u>Health and Welfare Grants</u>								
Other Health and Welfare Grants	\$ 3,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,600
<u>Public Works Grants</u>								
State Aid Program	0	0	0	142,205	0	0	0	142,205
Litter Program	26,311	0	0	0	0	0	0	26,311
<u>Other State Revenues</u>								
Flood Control	3,513	0	0	0	0	0	0	3,513
Income Tax	11,864	0	0	0	0	0	0	11,864
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	22,264	0	0	0	0	0	0	22,264
State Revenue Sharing - T.V.A.	285,459	0	0	0	0	0	0	285,459
Contracted Prisoner Boarding	105,307	0	0	0	0	0	0	105,307
Gasoline and Motor Fuel Tax	0	0	0	1,426,201	0	0	0	1,426,201
Petroleum Special Tax	0	0	0	8,836	0	0	0	8,836
Reappraisal Program Reimbursement	5,367	0	0	0	0	0	0	5,367
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Revenues	0	0	1,848	0	0	0	0	1,848
<b>Total State of Tennessee</b>	<b>\$ 527,707</b>	<b>\$ 4,592</b>	<b>\$ 1,848</b>	<b>\$ 1,577,242</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,111,389</b>
<u>Federal Government</u>								
<u>Federal Through State</u>								
Disaster Relief	\$ 0	\$ 0	\$ 0	21,079	\$ 0	\$ 0	\$ 0	21,079
Homeland Security Grants	16,958	0	0	0	0	0	0	16,958
Other Federal through State	671,845	0	6,915	0	0	0	0	678,760
<u>Direct Federal Revenue</u>								
Police Service (Lake Area)	9,990	0	0	0	0	0	0	9,990
Medicare	1,800	0	0	0	0	0	0	1,800
Public Safety Partnership and Community Policing - COPS	11,771	0	0	0	0	0	0	11,771
<b>Total Federal Government</b>	<b>\$ 712,364</b>	<b>\$ 0</b>	<b>\$ 6,915</b>	<b>\$ 21,079</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 740,358</b>
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 60,000	\$ 0	\$ 0	\$ 0	\$ 300,930	\$ 0	\$ 0	\$ 360,930
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 60,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 300,930</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 360,930</b>
<b>Total</b>	<b>\$ 4,445,884</b>	<b>\$ 332,775</b>	<b>\$ 75,024</b>	<b>\$ 1,871,066</b>	<b>\$ 430,718</b>	<b>\$ 35,187</b>	<b>\$ 10,425</b>	<b>\$ 7,201,079</b>

Exhibit H-5

Jackson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	21,678	
Social Security		1,607	
Audit Services		8,078	
Dues and Memberships		3,325	
Travel		75	
Other Contracted Services		1,482	
Total County Commission			\$ 36,245

Board of Equalization

Board and Committee Members Fees	\$	450	
Total Board of Equalization			450

Beer Board

Legal Notices, Recording, and Court Costs	\$	39	
Total Beer Board			39

Other Boards and Committees

Board and Committee Members Fees	\$	375	
Social Security		29	
Total Other Boards and Committees			404

County Mayor/Executive

County Official/Administrative Officer	\$	53,787	
Accountants/Bookkeepers		32,787	
Clerical Personnel		19,114	
Social Security		8,085	
Communication		2,572	
Dues and Memberships		1,000	
Maintenance and Repair Services - Office Equipment		253	
Travel		795	
Office Supplies		3,786	
Data Processing Equipment		5,577	
Total County Mayor/Executive			127,756

County Attorney

County Official/Administrative Officer	\$	4,769	
Social Security		365	
Total County Attorney			5,134

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	41,912	
Election Commission		22,678	
Election Workers		18,225	
In-Service Training		225	
Social Security		4,941	
Communication		925	
Legal Notices, Recording, and Court Costs		2,055	
Printing, Stationery, and Forms		4,122	
Travel		521	
Other Contracted Services		6,140	
Office Supplies		1,252	
Data Processing Equipment		104	
Voting Machines		133,999	
Total Election Commission	\$		237,099

Register of Deeds

County Official/Administrative Officer	\$	46,569	
Clerical Personnel		19,114	
Social Security		5,025	
Communication		1,383	
Data Processing Services		5,908	
Dues and Memberships		1,218	
Maintenance and Repair Services - Office Equipment		926	
Travel		911	
Office Supplies		1,477	
Data Processing Equipment		1,480	
Office Equipment		82	
Total Register of Deeds			84,093

County Buildings

Custodial Personnel	\$	14,064	
Other Salaries and Wages		19,940	
Social Security		2,048	
Communication		416	
Maintenance and Repair Services - Buildings		32,538	
Pest Control		1,133	
Custodial Supplies		3,492	
Electricity		40,650	
Natural Gas		8,354	
Other Supplies and Materials		1,428	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Building Improvements	\$ 21,215	
Total County Buildings		\$ 145,278

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 46,569	
Clerical Personnel	18,317	
Social Security	4,999	
Audit Services	2,786	
Communication	2,167	
Data Processing Services	4,451	
Travel	1,535	
Office Supplies	411	
Data Processing Equipment	100	
Total Property Assessor's Office		81,335

Reappraisal Program

Clerical Personnel	\$ 3,172	
In-Service Training	1,292	
Social Security	372	
Data Processing Services	398	
Office Supplies	235	
Total Reappraisal Program		5,469

County Trustee's Office

County Official/Administrative Officer	\$ 46,569	
Deputy(ies)	19,114	
Social Security	5,025	
Communication	424	
Dues and Memberships	399	
Travel	541	
Office Supplies	1,068	
Total County Trustee's Office		73,140

County Clerk's Office

County Official/Administrative Officer	\$ 46,569
Deputy(ies)	19,114
Social Security	5,025
Communication	1,082
Data Processing Services	400

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Printing, Stationery, and Forms	\$	788	
Travel		1,020	
Office Supplies		3,459	
Data Processing Equipment		9,399	
Total County Clerk's Office			\$ 86,856

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		60,541	
Jury and Witness Fees		6,731	
Social Security		8,194	
Communication		4,018	
Printing, Stationery, and Forms		3,235	
Travel		486	
Office Supplies		5,861	
Data Processing Equipment		7,191	
Total Circuit Court			142,826

General Sessions Judge

Judge(s)	\$	76,905	
Secretary(ies)		18,159	
Social Security		7,538	
Communication		541	
Travel		837	
Office Supplies		2,100	
Total General Sessions Judge			106,080

Chancery Court

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		19,114	
Social Security		5,025	
Communication		1,041	
Data Processing Services		4,432	
Dues and Memberships		359	
Printing, Stationery, and Forms		200	
Travel		841	
Office Supplies		699	
Data Processing Equipment		700	
Total Chancery Court			78,980

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Youth Service Officer(s)	\$	19,114	
Social Security		1,462	
Communication		1,701	
Travel		412	
Other Contracted Services		4,799	
Office Supplies		312	
Total Juvenile Court			\$ 27,800

Judicial Commissioners

County Official/Administrative Officer	\$	31,641	
Social Security		2,421	
Travel		518	
Office Supplies		138	
Total Judicial Commissioners			34,718

Other Administration of Justice

County Official/Administrative Officer	\$	1,800	
Clerical Personnel		600	
Social Security		184	
Maintenance and Repair Services - Vehicles		271	
Gasoline		421	
Small Tools		113	
Other Supplies and Materials		63	
Vehicle and Equipment Insurance		670	
Total Other Administration of Justice			4,122

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	51,226	
Deputy(ies)		280,641	
Salary Supplements		6,000	
Guards		274,198	
Secretary(ies)		20,297	
School Resource Officer		49,606	
In-Service Training		6,021	
Social Security		51,712	
Communication		18,319	
Contracts with Government Agencies		1,375	
Dues and Memberships		1,700	
Maintenance and Repair Services - Equipment		2,448	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance and Repair Services - Vehicles	\$	25,643	
Printing, Stationery, and Forms		727	
Travel		1,265	
Equipment Parts - Light		23,926	
Gasoline		61,679	
Office Supplies		5,099	
Tires and Tubes		5,784	
Uniforms		6,954	
Motor Vehicles		71,832	
Other Equipment		4,300	
Total Sheriff's Department			\$ 970,752

Administration of the Sexual Offender Registry

Constitutional Officers' Operating Expenses	\$	415	
Total Administration of the Sexual Offender Registry			415

Jail

Cafeteria Personnel	\$	24,700	
Social Security		1,874	
Communication		244	
Medical and Dental Services		131,923	
Pest Control		320	
Custodial Supplies		7,007	
Electricity		14,533	
Food Preparation Supplies		2,721	
Food Supplies		25,034	
Prisoners Clothing		1,136	
Water and Sewer		6,661	
Building Construction		76,520	
Furniture and Fixtures		11,608	
Heating and Air Conditioning Equipment		100	
Office Equipment		921	
Other Equipment		3,600	
Other Construction		1,770	
Total Jail			310,672

Fire Prevention and Control

Contracts with Government Agencies	\$	1,500	
Contributions		8,000	
Matching Share		15,000	
Total Fire Prevention and Control			24,500

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Communication	\$	583	
Contributions		40,000	
Gasoline		140	
Office Supplies		548	
Other Equipment		145	
Total Other Emergency Management			\$ 41,416

Other Public Safety

Other Supplies and Materials	\$	1	
Total Other Public Safety			1

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	3,600	
Other Salaries and Wages		3,354	
In-Service Training		100	
Social Security		457	
Communication		2,450	
Maintenance and Repair Services - Buildings		4,686	
Travel		301	
Custodial Supplies		400	
Drugs and Medical Supplies		975	
Electricity		7,682	
Office Supplies		1,792	
Water and Sewer		899	
Total Local Health Center			26,696

Ambulance/Emergency Medical Services

Supervisor/Director	\$	38,392	
Medical Personnel		366,284	
Clerical Personnel		13,871	
In-Service Training		3,904	
Social Security		32,019	
Communication		5,038	
Laundry Service		2,693	
Licenses		1,239	
Maintenance and Repair Services - Equipment		7,945	
Maintenance and Repair Services - Vehicles		17,269	
Custodial Supplies		2,480	
Diesel Fuel		20,157	

(Continued)

Exhibit H-5

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.)

Drugs and Medical Supplies	\$	24,477	
Electricity		8,875	
Natural Gas		3,451	
Office Supplies		1,962	
Uniforms		2,585	
Data Processing Equipment		3,237	
Other Equipment		<u>3,264</u>	
Total Ambulance/Emergency Medical Services			\$ 559,142

Crippled Children Services

Contracts with Government Agencies	\$	<u>900</u>	
Total Crippled Children Services			900

Regional Mental Health Center

Contributions	\$	<u>4,648</u>	
Total Regional Mental Health Center			4,648

Appropriation to State

Contributions	\$	<u>15,300</u>	
Total Appropriation to State			15,300

General Welfare Assistance

Contributions	\$	<u>1,000</u>	
Total General Welfare Assistance			1,000

Other Local Welfare Services

Contributions	\$	<u>2,000</u>	
Total Other Local Welfare Services			2,000

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$	10,390	
Social Security		795	
Communication		369	
Maintenance and Repair Services - Buildings		655	
Office Supplies		176	
Utilities		<u>4,682</u>	
Total Adult Activities			17,067

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance

Supervisor/Director	\$	10,390	
Social Security		795	
Communication		405	
Maintenance and Repair Services - Buildings		115	
Office Supplies		180	
Utilities		5,172	
Total Senior Citizens Assistance			\$ 17,057

Libraries

Assistant(s)	\$	7,504	
Supervisor/Director		19,114	
Data Processing Personnel		38	
Part-time Personnel		6,904	
Social Security		2,567	
Communication		1,390	
Dues and Memberships		315	
Maintenance Agreements		425	
Travel		846	
Library Books/Media		6,941	
Office Supplies		524	
Data Processing Equipment		192	
Total Libraries			46,760

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	16,319	
Secretary(ies)		4,179	
Social Security		658	
Extension Service Medicare		173	
State Retirement		2,005	
Communication		1,908	
Contracts with Private Agencies		10,120	
Travel		800	
Data Processing Equipment		953	
Total Agriculture Extension Service			37,115

Soil Conservation

Salary Supplements	\$	15,292	
Social Security		1,170	
Matching Share		5,000	
Total Soil Conservation			21,462

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations

Industrial Development

Advertising	\$ 4,982	
Total Industrial Development		\$ 4,982

Housing and Urban Development

Other Contracted Services	\$ 496,653	
Total Housing and Urban Development		496,653

Airport

Maintenance and Repair Services - Buildings	\$ 35,418	
Electricity	448	
Total Airport		35,866

Other Charges

Fiscal Agent Charges	\$ 6,004	
Liability Insurance	130,013	
Premiums on Corporate Surety Bonds	4,896	
Trustee's Commission	47,705	
Workers' Compensation Insurance	67,036	
Total Other Charges		255,654

Employee Benefits

State Retirement	\$ 82,587	
Unemployment Compensation	13,950	
Total Employee Benefits		96,537

Miscellaneous

Contributions	\$ 74,767	
Legal Services	6,607	
Legal Notices, Recording, and Court Costs	1,131	
Postal Charges	12,437	
Other Contracted Services	7,500	
Other Charges	46,646	
Total Miscellaneous		149,088

Highways

Litter and Trash Collection

Guards	\$ 18,921	
Clerical Personnel	3,200	
Social Security	1,731	
Maintenance and Repair Services - Vehicles	2,077	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection (Cont.)

Gasoline	\$	1,539	
Instructional Supplies and Materials		2,500	
Motor Vehicles		22	
Total Litter and Trash Collection			\$ 29,990

Total General Fund \$ 4,443,497

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Truck Drivers	\$	30,383	
Social Security		2,257	
State Retirement		1,679	
Communication		36	
Maintenance and Repair Services - Equipment		2,467	
Maintenance and Repair Services - Vehicles		14,205	
Contracts for Landfill Facilities		135,400	
Diesel Fuel		15,163	
Gasoline		3,493	
Tires and Tubes		8,422	
Other Supplies and Materials		3,020	
Motor Vehicles		2,800	
Solid Waste Equipment		42	
Total Waste Pickup			\$ 219,367

Convenience Centers

Guards	\$	107,387	
Other Salaries and Wages		74	
Social Security		8,136	
State Retirement		1,193	
Communication		3,053	
Electricity		5,571	
Water and Sewer		1,534	
Site Development		2,315	
Total Convenience Centers			129,263

Other Operations

Other Charges

Trustee's Commission	\$	6,509	
Total Other Charges			6,509

Total Solid Waste/Sanitation Fund 355,139

(Continued)

Exhibit H-5

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

Drug Control Fund

Public Safety

Drug Enforcement

Deputy(ies)	\$	33,021	
In-Service Training		76	
Social Security		2,525	
State Retirement		2,608	
Confidential Drug Enforcement Payments		2,500	
Maintenance and Repair Services - Vehicles		2,933	
Animal Food and Supplies		738	
Utilities		638	
Trustee's Commission		675	
Motor Vehicles		20,259	
Total Drug Enforcement			\$ 65,973

Public Health and Welfare

Alcohol and Drug Programs

Instructional Supplies and Materials	\$	2,952	
Other Supplies and Materials		4,548	
Total Alcohol and Drug Programs			7,500

Total Drug Control Fund \$ 73,473

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,008	
Accountants/Bookkeepers		46,111	
State Retirement		6,682	
Dues and Memberships		2,242	
Maintenance and Repair Services - Office Equipment		6,520	
Postal Charges		392	
Printing, Stationery, and Forms		2,014	
Travel		499	
Office Supplies		1,636	
Other Charges		4,574	
Office Equipment		3,201	
Total Administration			\$ 128,879

Highway and Bridge Maintenance

Foremen	\$	41,832	
Equipment Operators		117,324	
Truck Drivers		49,827	

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	165,981	
State Retirement		13,473	
Other Contracted Services		9,075	
Asphalt - Cold Mix		13,598	
Asphalt - Hot Mix		200,463	
Asphalt - Liquid		113,669	
Concrete		2,131	
Crushed Stone		279,184	
General Construction Materials		1,612	
Other Road Supplies		3,248	
Pipe		27,030	
Road Signs		6,773	
Structural Steel		1,151	
Wood Products		1,613	
Other Supplies and Materials		3,535	
Total Highway and Bridge Maintenance			\$ 1,051,519

Operation and Maintenance of Equipment

Mechanic(s)	\$	89,910	
Nightwatchmen		31,598	
State Retirement		7,635	
Diesel Fuel		80,946	
Equipment and Machinery Parts		57,822	
Garage Supplies		3,542	
Gasoline		91,695	
Lubricants		4,202	
Tires and Tubes		14,582	
Uniforms		2,216	
Other Supplies and Materials		920	
Total Operation and Maintenance of Equipment			385,068

Other Charges

Communication	\$	3,303	
Electricity		2,904	
Natural Gas		6,223	
Water and Sewer		361	
Building and Contents Insurance		6,111	
Liability Insurance		3,614	
Premiums on Corporate Surety Bonds		700	
Trustee's Commission		17,539	

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Vehicle and Equipment Insurance	\$ 12,197	
Total Other Charges		\$ 52,952

Employee Benefits

Social Security	\$ 46,868	
Unemployment Compensation	5,604	
Workers' Compensation Insurance	42,226	
Total Employee Benefits		94,698

Capital Outlay

Engineering Services	\$ 28,529	
Communication Equipment	725	
Highway Equipment	76,000	
Motor Vehicles	34,337	
Total Capital Outlay		139,591

Principal on Debt

Highways and Streets

Principal on Notes	\$ 48,000	
Total Highways and Streets		48,000

Interest on Debt

Highways and Streets

Interest on Notes	\$ 8,747	
Total Highways and Streets		8,747

Total Highway/Public Works Fund		\$ 1,909,454
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General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$ 2,434	
Total Other Charges		\$ 2,434

Principal on Debt

General Government

Principal on Bonds	\$ 13,200	
Principal on Notes	182,077	
Principal on Capital Leases	12,604	
Principal on Other Loans	105,000	
Total General Government		312,881

(Continued)

Exhibit H-5

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Principal on Debt (Cont.)</u>		
<u>Education</u>		
Principal on Bonds	\$ 170,000	
Total Education		\$ 170,000
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 4,310	
Interest on Notes	16,746	
Interest on Capital Leases	3,434	
Interest on Other Loans	<u>150,058</u>	
Total General Government		174,548
<u>Education</u>		
Interest on Bonds	\$ 130,930	
Total Education		130,930
<u>Other Debt Service</u>		
<u>General Government</u>		
Other Debt Service	\$ 14,162	
Total General Government		14,162
<u>Education</u>		
Other Debt Service	\$ 509	
Total Education		<u>509</u>
Total General Debt Service Fund		\$ 805,464
<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Other Debt Issuance Charges	\$ 8,400	
Building Construction	<u>2,039,026</u>	
Total Administration of Justice Projects		\$ 2,047,426
Total General Capital Projects Fund		2,047,426
<u>Community Development/Industrial Park Fund</u>		
<u>Other Operations</u>		
<u>Industrial Development</u>		
Maintenance and Repair Services - Buildings	\$ 10,466	
Matching Share	<u>50,000</u>	
Total Industrial Development		\$ 60,466
<u>Other Charges</u>		
Trustee's Commission	\$ 104	
Total Other Charges		<u>104</u>
Total Community Development/Industrial Park Fund		<u>60,570</u>
Total Governmental Funds - Primary Government		<u>\$ 9,695,023</u>

Exhibit H-6

Jackson County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 304,741
Total Cash Receipts	<u>\$ 304,741</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 301,694
Trustee's Commission	<u>3,047</u>
Total Cash Disbursements	<u>\$ 304,741</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	 <u><u>\$ 0</u></u>

**ANNUAL FINANCIAL REPORT**  
**JACKSON COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF JACKSON COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

*CHRISTY N. TENNANT, CPA, CGFM*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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**JACKSON COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF JACKSON COUNTY, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
Jackson County School Department  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Jackson County School Department as of and for the year ended June 30, 2007.

## ***Results***

Our report on the Jackson County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

Our audit resulted in four findings and recommendations, which we have reviewed with Jackson County School Department management. Detailed findings and recommendations are included in the Single Audit Report.

## ***Findings***

The following are summaries of the audit findings:

### **JACKSON COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The School Department failed to perform steps set forth in the timeline included in its GASB Statement No. 34 implementation plan filed with the Comptroller's Office.

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### **OTHER FINDINGS**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

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# INTRODUCTORY SECTION

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Jackson County School Officials  
June 30, 2007

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**Official**

Joe Barlow, Director of Schools

**Board of Education**

Jeff Lynn, Chairman  
Tim Bowman  
Mark Brown

James Robert Childress  
Dewey Mabery  
Sandra Ragland

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

March 7, 2008

Jackson County Director of Schools and  
Board of Education  
Jackson County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Jackson County School Department, a component unit of Jackson County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 27, which collectively comprise a portion of the Jackson County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Jackson County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the

presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Jackson County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county school departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Jackson County School Department as of June 30, 2007, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Jackson County School Department as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2008, on our consideration of the Jackson County School Department'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.

The budgetary comparison information on pages 31 through 35 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School Department's basic financial statements. The introductory section, individual nonmajor fund financial statements, the budgetary comparison schedule of the nonmajor governmental fund and miscellaneous

schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial statements, budgetary comparison schedules of the nonmajor governmental fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Jackson County, Tennessee  
Balance Sheet - Governmental Funds  
Jackson County School Department  
June 30, 2007

	Major Funds		Nonmajor Fund	Total
	General Purpose School	School Federal Projects	Central Cafeteria Fund	Governmental Funds
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 4,184,298	\$ 41,352	\$ 287,647	\$ 4,513,297
Inventories	0	0	20,529	20,529
Accounts Receivable	1,165	0	0	1,165
Due from Other Governments	163,334	79,010	0	242,344
Property Taxes Receivable	1,454,524	0	0	1,454,524
Allowance for Uncollectible Property Taxes	(46,975)	0	0	(46,975)
<b>Total Assets</b>	<b>\$ 5,756,346</b>	<b>\$ 120,362</b>	<b>\$ 308,176</b>	<b>\$ 6,184,884</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Deferred Revenue - Current Property Taxes	\$ 1,356,527	\$ 0	\$ 0	\$ 1,356,527
Deferred Revenue - Delinquent Property Taxes	46,289	0	0	46,289
Other Deferred Revenues	57,316	0	0	57,316
<b>Total Liabilities</b>	<b>\$ 1,460,132</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,460,132</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 289,550	\$ 3,429	\$ 0	\$ 292,979
Reserved for Inventory	0	0	20,529	20,529
Other Local Education Reserves	603,450	0	0	603,450
Reserved for Career Ladder - Extended Contract	12,158	0	0	12,158
Reserved for Career Ladder Program	8,889	0	0	8,889
Reserved for Basic Education Program	2,218,302	0	0	2,218,302
Reserved for Innovative Education Program Strategies	0	7,900	0	7,900
Reserved for Special Education - Grants to States	0	106,978	0	106,978
Other Federal Reserves	0	2,055	0	2,055
Unreserved, Reported In:				
General Fund	1,163,865	0	0	1,163,865
Special Revenue Funds	0	0	287,647	287,647
<b>Total Fund Balances</b>	<b>\$ 4,296,214</b>	<b>\$ 120,362</b>	<b>\$ 308,176</b>	<b>\$ 4,724,752</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,756,346</b>	<b>\$ 120,362</b>	<b>\$ 308,176</b>	<b>\$ 6,184,884</b>

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

Exhibit B

Jackson County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Jackson County School Department  
For the Year Ended June 30, 2007

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria Fund	
<u>Revenues</u>				
Local Taxes	\$ 2,054,155	\$ 0	\$ 0	\$ 2,054,155
Licenses and Permits	1,474	0	0	1,474
Charges for Current Services	26,325	0	284,596	310,921
Other Local Revenues	46,375	120	1,497	47,992
State of Tennessee	8,063,544	0	0	8,063,544
Federal Government	72,698	1,475,838	565,922	2,114,458
Total Revenues	<u>\$ 10,264,571</u>	<u>\$ 1,475,958</u>	<u>\$ 852,015</u>	<u>\$ 12,592,544</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 5,538,509	\$ 1,049,481	\$ 0	\$ 6,587,990
Support Services	3,562,086	509,484	0	4,071,570
Operation of Non-Instructional Services	286,133	0	768,196	1,054,329
Capital Outlay	167,747	0	0	167,747
Debt Service:				
Principal on Debt	142,000	0	0	142,000
Interest on Debt	223,294	0	0	223,294
Other Debt Service	321,026	0	0	321,026
Total Expenditures	<u>\$ 10,240,795</u>	<u>\$ 1,558,965</u>	<u>\$ 768,196</u>	<u>\$ 12,567,956</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 23,776	\$ (83,007)	\$ 83,819	\$ 24,588
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,972	\$ 0	\$ 0	\$ 4,972
Transfers In	80,484	0	0	80,484
Transfers Out	0	(25,484)	(55,000)	(80,484)
Total Other Financing Sources (Uses)	<u>\$ 85,456</u>	<u>\$ (25,484)</u>	<u>\$ (55,000)</u>	<u>\$ 4,972</u>
Net Change in Fund Balances	\$ 109,232	\$ (108,491)	\$ 28,819	\$ 29,560
Fund Balance, July 1, 2006	4,186,982	228,853	279,357	4,695,192
Fund Balance, June 30, 2007	<u>\$ 4,296,214</u>	<u>\$ 120,362</u>	<u>\$ 308,176</u>	<u>\$ 4,724,752</u>

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

**JACKSON COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF JACKSON COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Jackson County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

**A. Reporting Entity**

The Jackson County School Department operates the public school system in the county, and the voters of Jackson County elect its six-member board. The School Department is a component unit of Jackson County, the primary government. 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 Jackson 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.

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

Fund financial statements of the School Department 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. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental 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.

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 School Department 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. The School Department 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.

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 School Department receives cash.

The School Department reports the following major governmental funds:

**General Purpose School Fund** – This 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 fund is used to account for restricted federal revenues which must be expended on specific education programs.

C. **Assets, Liabilities, and Equity**

1. **Deposits and Investments**

State statutes authorize Jackson County, the School Department's primary government, to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

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

2. **Receivables and Payables**

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.7 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.

**3. Inventories**

Inventories of the School Department consist of expendable supplies held for consumption and are recorded at cost, determined on the first-in, first-out method.

**4. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**5. Compensated Absences**

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**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including other loans payable, is recognized as a liability and expenditure in the governmental fund financial statements.

**7. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

The School Department 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 State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Vocational Education Program, Adult Education Program, 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 School Department'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.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits

Jackson County and the 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, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments.

**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 the 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.

#### B. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

Transfers Out	Transfers In General Purpose School Fund
School Federal Projects Fund	\$ 25,484
Nonmajor governmental fund	55,000
Total Transfers	\$ 80,484

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.

**C. Long-term Debt**

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

Other Loans

The county issues other loans to provide funds for the acquisition and construction of major capital facilities for the School Department. The other loan is a direct obligation and pledges the full faith and credit of the government. The other loan outstanding was issued for an original term of 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 loan included in long-term debt as of June 30, 2007, will be retired by the General Purpose School Fund.

The other loan outstanding as of June 30, 2007, is as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Other Loan	variable	\$ 6,300,000	\$ 5,728,000

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 a variable interest rate based on the daily London Interbank Offer Rate (LIBOR). In addition, the School

Department pays various other fees (trustee, debt remarketing, etc.) in connection with this loan. At June 30, 2007, the variable interest rate was 3.89 percent, and other fees amounted to approximately .2 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 loan outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Other Loan (\$6,300,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 149,000	\$ 222,819	\$ 15,551	\$ 387,370
2009	156,000	217,023	15,148	388,171
2010	164,000	210,955	14,727	389,682
2011	172,000	204,575	14,284	390,859
2012	181,000	197,884	13,820	392,704
2013-2017	1,049,000	876,610	61,270	1,986,880
2018-2022	1,339,000	651,187	45,623	2,035,810
2023-2027	1,709,000	363,288	25,640	2,097,928
2028-2029	809,000	47,575	3,472	860,047
Total	<u>\$ 5,728,000</u>	<u>\$ 2,991,916</u>	<u>\$ 209,535</u>	<u>\$ 8,929,451</u>

Total debt per capita for the School Department, including the other loan, totaled \$521, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:	<u>Other Loan</u>
Balance, July 1, 2006	\$ 5,870,000
Deductions	<u>(142,000)</u>
Balance, June 30, 2007	<u>\$ 5,728,000</u>
Balance Due Within One Year	<u>\$ 149,000</u>

#### IV. OTHER INFORMATION

##### A. Risk Management

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 provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

##### B. Contingent Liabilities

The School Department's attorney is not aware of any pending or threatened lawsuits.

##### C. Retirement Commitments

###### Employees

###### **Plan Description**

Employees of Jackson County, including the School Department, 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 Jackson 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.treasury.state.tn.us/tcrs/PS/>.

Since the School Department participates in Jackson County's plan, retirement information for the School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.F. of the Annual Financial Report of Jackson County, Tennessee.

## **School Teachers**

### **Plan Description**

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), 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 <http://www.treasury.state.tn.us>.

### **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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$355,584, \$311,972, and \$308,429, respectively, equal to the required contributions for each year.

### **D. Purchasing Law**

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C-1

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Jackson County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,054,155	\$ 0	\$ 0	\$ 2,054,155	\$ 2,037,490	\$ 2,037,490	\$ 16,665
Licenses and Permits	1,474	0	0	1,474	1,100	1,100	374
Charges for Current Services	26,325	0	0	26,325	11,000	11,000	15,325
Other Local Revenues	46,375	0	0	46,375	70,500	74,565	(28,190)
State of Tennessee	8,063,544	0	0	8,063,544	7,957,800	7,988,713	74,831
Federal Government	72,698	0	0	72,698	81,550	81,550	(8,852)
Total Revenues	\$ 10,264,571	\$ 0	\$ 0	\$ 10,264,571	\$ 10,159,440	\$ 10,194,418	\$ 70,153
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 4,331,952	\$ (101,184)	\$ 138,927	\$ 4,369,695	\$ 4,625,675	\$ 4,652,675	\$ 282,980
Alternative Instruction Program	50,167	(1,238)	0	48,929	53,280	53,280	4,351
Special Education Program	638,654	0	0	638,654	746,714	746,714	108,060
Vocational Education Program	465,958	(650)	0	465,308	529,813	529,813	64,505
Adult Education Program	51,778	0	1,165	52,943	57,160	54,730	1,787
<u>Support Services</u>							
Attendance	60,986	(44)	225	61,167	66,305	66,305	5,138
Health Services	68,091	(118)	0	67,973	70,864	70,864	2,891
Other Student Support	186,636	0	377	187,013	207,743	207,743	20,730
Regular Instruction Program	441,718	0	5,175	446,893	506,708	506,708	59,815
Special Education Program	134,893	(200)	0	134,693	138,077	138,077	3,384
Vocational Education Program	12,990	0	0	12,990	14,368	14,368	1,378
Adult Programs	25,154	0	0	25,154	24,490	26,920	1,766
Board of Education	303,731	0	0	303,731	313,763	320,763	17,032
Director of Schools	106,897	(36)	290	107,151	107,381	110,496	3,345
Office of the Principal	517,094	0	0	517,094	546,327	546,327	29,233
Fiscal Services	159,314	(153)	2,202	161,363	172,787	172,787	11,424

(Continued)

Exhibit C-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 694,328	\$ 0	\$ 700	\$ 695,028	\$ 777,886	\$ 777,886	\$ 82,858
Maintenance of Plant	142,999	(3,572)	7,218	146,645	173,600	173,600	26,955
Transportation	707,255	(59,314)	43,041	690,982	747,259	747,259	56,277
<u>Operation of Non-Instructional Services</u>							
Food Service	65,958	0	0	65,958	67,092	67,092	1,134
Community Services	57,236	0	0	57,236	57,321	58,271	1,035
Early Childhood Education	162,939	(24,991)	4,100	142,048	140,000	143,913	1,865
<u>Capital Outlay</u>							
Regular Capital Outlay	167,747	(63,156)	86,130	190,721	250,000	250,000	59,279
<u>Principal on Debt</u>							
Education	142,000	0	0	142,000	142,000	142,000	0
<u>Interest on Debt</u>							
Education	223,294	0	0	223,294	293,500	285,500	62,206
<u>Other Debt Service</u>							
Education	321,026	0	0	321,026	315,930	323,930	2,904
Total Expenditures	\$ 10,240,795	\$ (254,656)	\$ 289,550	\$ 10,275,689	\$ 11,146,043	\$ 11,188,021	\$ 912,332
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 23,776	\$ 254,656	\$ (289,550)	\$ (11,118)	\$ (986,603)	\$ (993,603)	\$ 982,485
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 4,972	\$ 0	\$ 0	\$ 4,972	\$ 0	\$ 26,725	\$ (21,753)
Transfers In	80,484	0	0	80,484	75,000	75,000	5,484
Transfers Out	0	0	0	0	0	(19,725)	19,725
Total Other Financing Sources (Uses)	\$ 85,456	\$ 0	\$ 0	\$ 85,456	\$ 75,000	\$ 82,000	\$ 3,456
Net Change in Fund Balance	\$ 109,232	\$ 254,656	\$ (289,550)	\$ 74,338	\$ (911,603)	\$ (911,603)	\$ 985,941
Fund Balance, July 1, 2006	4,186,982	(254,656)	0	3,932,326	2,806,994	2,806,994	1,125,332
Fund Balance, June 30, 2007	\$ 4,296,214	\$ 0	\$ (289,550)	\$ 4,006,664	\$ 1,895,391	\$ 1,895,391	\$ 2,111,273

Exhibit C-2

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Jackson County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 120	\$ 0	\$ 0	\$ 120	\$ 0	\$ 0	\$ 120
Federal Government	1,475,838	0	0	1,475,838	1,742,809	1,770,624	(294,786)
<b>Total Revenues</b>	<b>\$ 1,475,958</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,475,958</b>	<b>\$ 1,742,809</b>	<b>\$ 1,770,624</b>	<b>\$ (294,666)</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 682,675	\$ (15,721)	\$ 530	\$ 667,484	\$ 683,396	\$ 714,537	\$ 47,053
Special Education Program	295,151	(638)	0	294,513	478,330	483,539	189,026
Vocational Education Program	71,655	(23,437)	111	48,329	42,942	49,970	1,641
<u>Support Services</u>							
Health Services	240,804	(111,789)	2,237	131,252	135,724	135,723	4,471
Other Student Support	6,516	0	0	6,516	9,000	6,572	56
Regular Instruction Program	182,337	0	551	182,888	285,653	321,441	138,553
Special Education Program	79,272	0	0	79,272	102,112	102,112	22,840
Vocational Education Program	555	0	0	555	1,500	555	0
<b>Total Expenditures</b>	<b>\$ 1,558,965</b>	<b>\$ (151,585)</b>	<b>\$ 3,429</b>	<b>\$ 1,410,809</b>	<b>\$ 1,738,657</b>	<b>\$ 1,814,449</b>	<b>\$ 403,640</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (83,007)	\$ 151,585	\$ (3,429)	\$ 65,149	\$ 4,152	\$ (43,825)	\$ 108,974
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,870	\$ 0	\$ 0
Transfers Out	(25,484)	0	0	(25,484)	(77,736)	(29,203)	3,719
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (25,484)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (25,484)</b>	<b>\$ (27,866)</b>	<b>\$ (29,203)</b>	<b>\$ 3,719</b>
Net Change in Fund Balance	\$ (108,491)	\$ 151,585	\$ (3,429)	\$ 39,665	\$ (23,714)	\$ (73,028)	\$ 112,693
Fund Balance, July 1, 2006	228,853	(151,585)	0	77,268	23,714	73,028	4,240
<b>Fund Balance, June 30, 2007</b>	<b>\$ 120,362</b>	<b>\$ 0</b>	<b>\$ (3,429)</b>	<b>\$ 116,933</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 116,933</b>

**JACKSON COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF JACKSON COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2007**

**BUDGETARY INFORMATION**

The School Department 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 State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Board of Education, Director of Schools, 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 School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

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**INDIVIDUAL FUND  
FINANCIAL SCHEDULE**

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# Nonmajor Governmental Fund

## Special Revenue Fund

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

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

Exhibit D

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Jackson County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 284,596	\$ 330,000	\$ 330,000	\$ (45,404)
Other Local Revenues	1,497	1,800	1,800	(303)
Federal Government	565,922	565,000	565,000	922
Total Revenues	<u>\$ 852,015</u>	<u>\$ 896,800</u>	<u>\$ 896,800</u>	<u>\$ (44,785)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 768,196	\$ 882,924	\$ 882,924	\$ 114,728
Total Expenditures	<u>\$ 768,196</u>	<u>\$ 882,924</u>	<u>\$ 882,924</u>	<u>\$ 114,728</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 83,819</u>	<u>\$ 13,876</u>	<u>\$ 13,876</u>	<u>\$ 69,943</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (55,000)	\$ (55,000)	\$ (55,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (55,000)</u>	<u>\$ (55,000)</u>	<u>\$ (55,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 28,819	\$ (41,124)	\$ (41,124)	\$ 69,943
Fund Balance, July 1, 2006	<u>279,357</u>	<u>41,124</u>	<u>41,124</u>	<u>238,233</u>
Fund Balance, June 30, 2007	<u>\$ 308,176</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 308,176</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

Jackson County, Tennessee  
Schedule of Changes in Long-term Other Loans  
Jackson County School Department  
For the Year Ended June 30, 2007

<u>Description of Indebtedness</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>	<u>Outstanding 7-1-06</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6-30-07</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	\$ 5,870,000	\$ 142,000	\$ 5,728,000

Exhibit E-2

Jackson County, Tennessee  
Schedule of Transfers  
Jackson County School Department  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect cost	\$ 25,484
Central Cafeteria	General Purpose School	To reimburse the supervisor's salary	<u>55,000</u>
Total Transfers			<u>\$ 80,484</u>

Exhibit E-3

Jackson County, Tennessee  
Schedule of Salary and Official Bond of Principal Official  
Jackson County School Department  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Jackson County Board of Education	\$ 71,616 (1) \$	50,000	Western Surety Company
Employee Blanket Bond Coverage: School Department Employees			150,000	Tennessee Risk Management Trust

(1) Includes career ladder supplement of \$1,000.

Exhibit E-4

Jackson County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Jackson County School Department  
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,282,937	\$ 0	\$ 0	\$ 1,282,937
Trustee's Collections - Prior Year	55,353	0	0	55,353
Circuit/Clerk & Master Collections - Prior Years	29,800	0	0	29,800
Interest and Penalty	10,180	0	0	10,180
<u>County Local Option Taxes</u>				
Local Option Sales Tax	500,609	0	0	500,609
Wheel Tax	167,604	0	0	167,604
Other County Local Option Taxes	150	0	0	150
<u>Statutory Local Taxes</u>				
Bank Excise Tax	5,703	0	0	5,703
Interstate Telecommunications Tax	1,819	0	0	1,819
Total Local Taxes	\$ 2,054,155	\$ 0	\$ 0	\$ 2,054,155
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,474	\$ 0	\$ 0	\$ 1,474
Total Licenses and Permits	\$ 1,474	\$ 0	\$ 0	\$ 1,474
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 156,242	\$ 156,242
Lunch Payments - Adults	0	0	20,976	20,976
Income from Breakfast	0	0	60,887	60,887
A la carte Sales	0	0	46,491	46,491
Receipts from Individual Schools	26,325	0	0	26,325
Total Charges for Current Services	\$ 26,325	\$ 0	\$ 284,596	\$ 310,921
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 1,497	\$ 1,497
Lease/Rentals	2,500	0	0	2,500
Refund of Telecommunication and Internet Fees (E-Rate)	20,584	0	0	20,584
Miscellaneous Refunds	12,006	0	0	12,006
Expenditure Credits	0	120	0	120
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	180	0	0	180
Contributions and Gifts	1,105	0	0	1,105
<u>Other Local Revenues</u>				
Other Local Revenues	10,000	0	0	10,000
Total Other Local Revenues	\$ 46,375	\$ 120	\$ 1,497	\$ 47,992
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 7,619,181	\$ 0	\$ 0	\$ 7,619,181
Early Childhood Education	158,898	0	0	158,898
School Food Service	9,986	0	0	9,986
Other State Education Funds	68,742	0	0	68,742
Career Ladder Program	115,090	0	0	115,090

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder - Extended Contract	\$ 24,331	\$ 0	\$ 0	\$ 24,331
<u>Other State Revenues</u>				
Other State Grants	40,350	0	0	40,350
Other State Revenues	26,966	0	0	26,966
Total State of Tennessee	\$ 8,063,544	\$ 0	\$ 0	\$ 8,063,544
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 381,183	\$ 381,183
Breakfast	0	0	184,739	184,739
Adult Education State Grant Program	72,698	0	0	72,698
Vocational Education - Basic Grants to States	0	36,442	0	36,442
Title I Grants to Local Education Agencies	0	469,355	0	469,355
Innovative Education Program Strategies	0	76,275	0	76,275
Special Education - Grants to States	0	421,040	0	421,040
Special Education Preschool Grants	0	12,700	0	12,700
Eisenhower Professional Development State Grants	0	96,678	0	96,678
Job Training Partnership Act	0	20,663	0	20,663
Other Federal through State	0	201,876	0	201,876
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	140,809	0	140,809
Total Federal Government	\$ 72,698	\$ 1,475,838	\$ 565,922	\$ 2,114,458
Total	\$ 10,264,571	\$ 1,475,958	\$ 852,015	\$ 12,592,544

Exhibit E-5

Jackson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Jackson County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,200,867	
Career Ladder Program		59,095	
Career Ladder Extended Contracts		17,500	
Educational Assistants		73,563	
Other Salaries and Wages		14,348	
Certified Substitute Teachers		7,300	
Non-certified Substitute Teachers		59,839	
Social Security		196,871	
State Retirement		204,171	
Medical Insurance		182,276	
Unemployment Compensation		5,120	
Employer Medicare		46,411	
Other Fringe Benefits		7,800	
Maintenance and Repair Services - Equipment		662	
Other Contracted Services		19,672	
Instructional Supplies and Materials		87,410	
Textbooks		117,573	
Regular Instruction Equipment		31,474	
Total Regular Instruction Program			\$ 4,331,952

Alternative Instruction Program

Teachers	\$	41,975	
Social Security		2,496	
State Retirement		2,573	
Medical Insurance		731	
Unemployment Compensation		45	
Employer Medicare		584	
Other Fringe Benefits		100	
Instructional Supplies and Materials		567	
Other Equipment		1,096	
Total Alternative Instruction Program			50,167

Special Education Program

Teachers	\$	431,050
Career Ladder Program		1,000
Homebound Teachers		4,140
Educational Assistants		76,570
Other Salaries and Wages		5,555
Certified Substitute Teachers		1,022

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Non-certified Substitute Teachers	\$	10,986	
Social Security		30,747	
State Retirement		30,985	
Medical Insurance		21,270	
Unemployment Compensation		1,060	
Employer Medicare		7,208	
Other Fringe Benefits		1,300	
Contracts with Other Public Agencies		450	
Contracts with Other School Systems		10,746	
Contracts with Private Agencies		4,140	
Instructional Supplies and Materials		74	
Other Supplies and Materials		206	
Other Charges		145	
Total Special Education Program			\$ 638,654

Vocational Education Program

Teachers	\$	255,511	
Career Ladder Program		5,435	
Certified Substitute Teachers		58	
Non-certified Substitute Teachers		7,521	
Social Security		15,613	
State Retirement		15,996	
Medical Insurance		13,388	
Unemployment Compensation		358	
Employer Medicare		3,651	
Other Fringe Benefits		900	
Maintenance and Repair Services - Equipment		656	
Instructional Supplies and Materials		5,458	
Other Supplies and Materials		1,441	
Other Charges		139,972	
Total Vocational Education Program			465,958

Adult Education Program

Teachers	\$	36,923	
Social Security		2,134	
State Retirement		2,267	
Medical Insurance		2,313	
Unemployment Compensation		44	
Employer Medicare		499	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Other Fringe Benefits	\$	100	
Instructional Supplies and Materials		4,465	
Other Supplies and Materials		3,033	
Total Adult Education Program			\$ 51,778

Support Services

Attendance

Supervisor/Director	\$	46,944	
Career Ladder Program		1,000	
Social Security		2,789	
State Retirement		2,939	
Medical Insurance		2,313	
Unemployment Compensation		48	
Employer Medicare		652	
Other Fringe Benefits		100	
Travel		634	
Other Supplies and Materials		188	
Attendance Equipment		3,379	
Total Attendance			60,986

Health Services

Medical Personnel	\$	37,837	
Other Salaries and Wages		15,241	
Social Security		2,896	
State Retirement		3,769	
Medical Insurance		5,291	
Unemployment Compensation		95	
Employer Medicare		677	
Other Fringe Benefits		100	
Dues and Memberships		231	
Travel		739	
Drugs and Medical Supplies		1,215	
Total Health Services			68,091

Other Student Support

Career Ladder Program	\$	2,455	
Guidance Personnel		139,893	
Social Security		8,238	
State Retirement		8,726	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Medical Insurance	\$	7,068	
Unemployment Compensation		160	
Employer Medicare		1,927	
Other Fringe Benefits		300	
Evaluation and Testing		9,262	
Postal Charges		320	
Travel		2,257	
Other Supplies and Materials		3,411	
Other Charges		2,619	
Total Other Student Support			\$ 186,636

Regular Instruction Program

Supervisor/Director	\$	126,624	
Career Ladder Program		9,500	
Librarians		155,184	
Instructional Computer Personnel		46,944	
Other Salaries and Wages		30,148	
Certified Substitute Teachers		467	
Non-certified Substitute Teachers		3,412	
Social Security		21,780	
State Retirement		22,299	
Medical Insurance		10,213	
Unemployment Compensation		431	
Employer Medicare		5,097	
Other Fringe Benefits		461	
Travel		4,886	
Library Books/Media		24	
Other Supplies and Materials		525	
In Service/Staff Development		3,633	
Other Equipment		90	
Total Regular Instruction Program			441,718

Special Education Program

Supervisor/Director	\$	56,668	
Career Ladder Program		5,960	
Psychological Personnel		34,792	
Assessment Personnel		13,826	
Social Security		6,469	
State Retirement		6,768	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	5,179	
Unemployment Compensation		128	
Employer Medicare		1,513	
Other Fringe Benefits		400	
Travel		2,990	
In Service/Staff Development		200	
Total Special Education Program			\$ 134,893

Vocational Education Program

Supervisor/Director	\$	11,004	
Social Security		682	
State Retirement		675	
Unemployment Compensation		47	
Employer Medicare		160	
Travel		422	
Total Vocational Education Program			12,990

Adult Programs

Supervisor/Director	\$	3,295	
Clerical Personnel		16,662	
Social Security		1,204	
State Retirement		198	
Unemployment Compensation		53	
Employer Medicare		330	
Travel		739	
In Service/Staff Development		1,155	
Other Charges		1,518	
Total Adult Programs			25,154

Board of Education

Other Salaries and Wages	\$	7,500	
Social Security		465	
Life Insurance		8,385	
Employer Medicare		109	
Audit Services		3,500	
Contributions		60,000	
Dues and Memberships		5,969	
Travel		524	
Liability Insurance		91,931	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Premiums on Corporate Surety Bonds	\$	175	
Trustee's Commission		53,053	
Workers' Compensation Insurance		71,742	
In Service/Staff Development		378	
Total Board of Education			\$ 303,731

Director of Schools

County Official/Administrative Officer	\$	70,616	
Career Ladder Program		1,000	
Social Security		4,266	
State Retirement		4,390	
Medical Insurance		2,313	
Unemployment Compensation		48	
Employer Medicare		998	
Other Fringe Benefits		100	
Communication		6,709	
Postal Charges		1,774	
Travel		3,240	
Other Contracted Services		4,123	
Office Supplies		2,031	
Refunds		3,115	
In Service/Staff Development		70	
Administration Equipment		2,104	
Total Director of Schools			106,897

Office of the Principal

Principals	\$	208,306	
Career Ladder Program		6,000	
Assistant Principals		80,325	
Secretary(ies)		67,764	
Clerical Personnel		49,369	
Social Security		23,722	
State Retirement		25,548	
Medical Insurance		19,632	
Unemployment Compensation		654	
Employer Medicare		5,596	
Other Fringe Benefits		600	
Communication		21,058	
Dues and Memberships		1,950	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Travel	\$	2,484	
Other Contracted Services		1,288	
Office Supplies		2,798	
Total Office of the Principal			\$ 517,094

Fiscal Services

Supervisor/Director	\$	31,340	
Accountants/Bookkeepers		28,310	
Secretary(ies)		23,248	
Clerical Personnel		21,600	
Other Salaries and Wages		18,916	
Social Security		6,875	
State Retirement		7,939	
Unemployment Compensation		286	
Employer Medicare		1,776	
Travel		3,114	
Other Contracted Services		9,947	
Data Processing Supplies		3,095	
Office Supplies		320	
Administration Equipment		2,548	
Total Fiscal Services			159,314

Operation of Plant

Custodial Personnel	\$	192,667	
Social Security		11,839	
State Retirement		9,984	
Unemployment Compensation		846	
Employer Medicare		2,770	
Rentals		19,328	
Other Contracted Services		1,200	
Custodial Supplies		47,359	
Electricity		332,744	
Fuel Oil		32,346	
Natural Gas		16,980	
Water and Sewer		23,943	
Plant Operation Equipment		2,322	
Total Operation of Plant			694,328

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	34,896	
Other Salaries and Wages		29,558	
Social Security		3,950	
State Retirement		4,576	
Unemployment Compensation		141	
Employer Medicare		924	
Maintenance and Repair Services - Buildings		9,219	
Maintenance and Repair Services - Equipment		5,216	
Travel		1,048	
Other Contracted Services		26,637	
Other Supplies and Materials		22,424	
Maintenance Equipment		4,410	
Total Maintenance of Plant			\$ 142,999

Transportation

Mechanic(s)	\$	22,750	
Bus Drivers		163,717	
Other Salaries and Wages		7,457	
Social Security		11,830	
State Retirement		6,023	
Unemployment Compensation		751	
Employer Medicare		2,767	
Contracts with Vehicle Owners		273,523	
Maintenance and Repair Services - Vehicles		10,901	
Other Contracted Services		9,657	
Gasoline		68,304	
Lubricants		3,217	
Tires and Tubes		20,440	
Vehicle Parts		15,718	
Other Supplies and Materials		7,514	
Vehicle and Equipment Insurance		20,181	
Other Charges		13,605	
Transportation Equipment		48,900	
Total Transportation			707,255

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	52,284
Career Ladder Program		1,000

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Social Security	\$	2,826	
State Retirement		3,266	
Medical Insurance		5,773	
Unemployment Compensation		48	
Employer Medicare		661	
Other Fringe Benefits		100	
Total Food Service			\$ 65,958

Community Services

Supervisor/Director	\$	41,763	
Other Salaries and Wages		820	
Social Security		2,170	
State Retirement		2,610	
Medical Insurance		5,612	
Unemployment Compensation		50	
Employer Medicare		508	
Other Fringe Benefits		100	
Communication		404	
Travel		1,491	
Other Supplies and Materials		1,708	
Total Community Services			57,236

Early Childhood Education

Teachers	\$	66,270	
Educational Assistants		23,402	
Non-certified Substitute Teachers		1,173	
Social Security		5,180	
State Retirement		5,162	
Medical Insurance		5,773	
Unemployment Compensation		201	
Employer Medicare		1,212	
Other Fringe Benefits		200	
Communication		834	
Other Contracted Services		48	
Other Supplies and Materials		29,518	
In Service/Staff Development		340	
Other Equipment		23,626	
Total Early Childhood Education			162,939

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Administration Equipment	\$ 31,215	
Building Improvements	133,829	
Other Capital Outlay	2,703	
Total Regular Capital Outlay		\$ 167,747

Principal on Debt

Education

Principal on Other Loans	\$ 142,000	
Total Education		142,000

Interest on Debt

Education

Interest on Other Loans	\$ 223,294	
Total Education		223,294

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 300,930	
Other Debt Service	20,096	
Total Education		<u>321,026</u>

Total General Purpose School Fund \$ 10,240,795

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 359,190
Educational Assistants	107,945
Other Salaries and Wages	25,472
Certified Substitute Teachers	642
Non-certified Substitute Teachers	3,285
Social Security	29,443
State Retirement	29,625
Medical Insurance	17,684
Unemployment Compensation	1,063
Employer Medicare	6,898
Other Fringe Benefits	800
Instructional Supplies and Materials	70,987
Other Charges	36

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Regular Instruction Equipment	\$ 29,605	
Total Regular Instruction Program		\$ 682,675

Special Education Program

Teachers	\$ 32,898	
Educational Assistants	158,720	
Other Salaries and Wages	7,436	
Social Security	12,237	
State Retirement	10,280	
Unemployment Compensation	832	
Employer Medicare	2,863	
Other Fringe Benefits	100	
Contracts with Other School Systems	3,500	
Contracts with Private Agencies	59,284	
Other Contracted Services	39	
Instructional Supplies and Materials	4,324	
Other Supplies and Materials	2,638	
Total Special Education Program		295,151

Vocational Education Program

Teachers	\$ 14,945	
Other Salaries and Wages	1,038	
Social Security	977	
State Retirement	990	
Unemployment Compensation	21	
Employer Medicare	229	
Travel	1,255	
Instructional Supplies and Materials	30,477	
Vocational Instruction Equipment	21,723	
Total Vocational Education Program		71,655

Support Services

Health Services

Supervisor/Director	\$ 35,735
Other Salaries and Wages	3,000
Certified Substitute Teachers	117
Non-certified Substitute Teachers	998
Social Security	2,295
State Retirement	2,374

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Medical Insurance	\$	2,313	
Unemployment Compensation		45	
Employer Medicare		537	
Other Fringe Benefits		100	
Travel		309	
Other Supplies and Materials		27,933	
In Service/Staff Development		12,912	
Other Equipment		152,136	
Total Health Services			\$ 240,804

Other Student Support

Travel	\$	6,068	
In Service/Staff Development		448	
Total Other Student Support			6,516

Regular Instruction Program

Supervisor/Director	\$	91,005	
Social Security		5,650	
State Retirement		5,579	
Medical Insurance		4,619	
Unemployment Compensation		71	
Employer Medicare		1,321	
Other Fringe Benefits		80	
Travel		16,801	
Other Contracted Services		5,000	
Library Books/Media		12,959	
Other Supplies and Materials		26,974	
In Service/Staff Development		9,323	
Other Charges		2,955	
Total Regular Instruction Program			182,337

Special Education Program

Psychological Personnel	\$	11,598	
Assessment Personnel		48,055	
Social Security		3,519	
State Retirement		3,666	
Medical Insurance		2,313	
Unemployment Compensation		61	
Employer Medicare		823	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Other Fringe Benefits	\$	100	
Travel		3,243	
Other Supplies and Materials		3,919	
In Service/Staff Development		1,975	
Total Special Education Program			\$ 79,272

Vocational Education Program

Travel	\$	555	
Total Vocational Education Program			555

Total School Federal Projects Fund \$ 1,558,965

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	293,459	
Social Security		17,854	
State Retirement		18,860	
Unemployment Compensation		1,207	
Employer Medicare		4,175	
Communication		1,217	
Maintenance and Repair Services - Equipment		5,524	
Travel		5,976	
Other Contracted Services		4,180	
Food Supplies		343,744	
Other Supplies and Materials		44,715	
In Service/Staff Development		1,993	
Food Service Equipment		25,292	
Total Food Service			\$ 768,196

Total Central Cafeteria Fund 768,196

Total Governmental Funds - Jackson County School Department \$ 12,567,956

**SINGLE AUDIT REPORT**  
**JACKSON COUNTY, TENNESSEE**  
**AND**  
**JACKSON COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

*CHRISTY N. TENNANT, CPA, CGFM*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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

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

March 7, 2008

Jackson County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Jackson County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Jackson County, Tennessee, and the Jackson County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of Jackson County's and the Jackson County School Department's basic financial statements and have issued our reports thereon dated March 7, 2008. Our reports on the financial statements of Jackson County, Tennessee, and the Jackson County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jackson County's and the Jackson County School Department'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 and the Jackson County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County's and the Jackson County School Department'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.04, 07.05, 07.06, 07.07, 07.08, 07.09, 07.10, 07.11, 07.12, 07.14(A,C), and 07.17.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Jackson County's and the Jackson County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07.04, 07.05(A), 07.06, and 07.11 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County's and the Jackson County School Department's financial statements are free of material misstatement, we performed tests of their 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 07.01, 07.02, 07.03, 07.13, 07.14(B,D), 07.15, and 07.18.

We consider item 07.16 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to the management of Jackson County and the Jackson County School Department in separate communications.

Jackson County's and the Jackson County School Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, 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 that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb



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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

March 7, 2008

Jackson County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Jackson County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Jackson County and the Jackson County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. Jackson County's and the Jackson County School Department'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 their major federal programs is the responsibility of Jackson County's and the Jackson County School Department's management. Our responsibility is to express an opinion on Jackson County's and the Jackson County School Department'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 and the Jackson County School Department'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 and the Jackson County School Department's compliance with those requirements.

In our opinion, Jackson County and the Jackson County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Jackson County and the Jackson County School Department 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 and the Jackson County School Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 and the Jackson County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 each major fund and the aggregate remaining fund information of Jackson County and the Jackson County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated March 7, 2008. Our reports on the financial statements of Jackson County and the Jackson County School

Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise a portion of Jackson County's and the Jackson County School Department's basic financial statements. The accompanying 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, 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 that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

Jackson County, Tennessee, and the Jackson County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Office of National Drug Control Policy:			
Passed-through Fiscal Court of Laurel County, Kentucky:			
Appalachia High Intensity Drug Traffic Area Program	07.XXX	I5PAPP5012	\$ 9,641
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 45,058
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	184,739
National School Lunch Program	10.555	N/A	381,183
Total U.S. Department of Agriculture			\$ 610,980
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11998-00	\$ 496,262
U.S. Department of Justice:			
Direct Program:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 11,771
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	06-07-087-005-09-82	\$ 18,200
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-07-03-7678-00	\$ 30,408
State and Community Highway Safety	20.600	Z-07035841	5,000
Total U.S. Department of Transportation			\$ 35,408
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 72,698
Passed-through State Department of Education:			
Title I Grant to Local Educational Agencies	84.010	N/A	470,911
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	359,998
Special Education - Preschool Grants	84.173	N/A	14,470
Vocational Education - Basic Grants to States	84.048	N/A	58,879
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	15,814
Fund for the Improvement of Education	84.215	N/A	252,579
State Grants for Innovative Programs	84.298	N/A	2,638
Education Technology State Grants	84.318	(2)	10,916
Reading First State Grants	84.357	(2)	209,197
Rural Education	84.358	N/A	65,185
Improving Teacher Quality State Grants	84.367	N/A	105,884
Total U.S. Department of Education			\$ 1,639,169
U.S. Elections Assistance Commission:			
Passed-through Tennessee Office of Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-06-032959-00	\$ 137,450

(Continued)

Jackson County, Tennessee, and the Jackson County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	(3)	\$ 16,958
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	<u>21,079</u>
Total U.S. Department of Homeland Security			<u>\$ 38,037</u>
Total Expenditures of Federal Awards			<u>\$ 2,996,918</u>
<u>State Grants</u>		<u>Contract Number</u>	
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 12,987
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	5,367
Litter Program - State Department of Transportation	N/A	(2)	29,669
Law Enforcement Training - State Department of Safety	N/A	(2)	6,000
Local Health Services Grant - State Department of Health	N/A	(2)	3,600
State Supplement Grant Program - State Commission on Children and Youth	N/A	(2)	9,000
Family Resource Center - State Department of Education	N/A	(2)	33,300
Touching the Lives of Children - State Department of Education	N/A	(2)	7,050
Safe Schools - State Department of Education	N/A	(2)	22,916
Voluntary PreK for Tennessee - State Department of Education	N/A	(2)	64,991
Lottery for Education - PreK - State Department of Education	N/A	(2)	93,907
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	<u>4,592</u>
Total State Grants			<u>\$ 293,379</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) Z-04-022458: \$9,059; Z-05-025173-007: \$7,899.

Jackson County, Tennessee, and the Jackson County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2007

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, and the Jackson County School Department for the year ended June 30, 2006, which have not been corrected.

**JACKSON COUNTY AND JACKSON COUNTY SCHOOL DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.02	13	Expenditures exceeded appropriations
06.03(A, B)	13	Purchase orders were either not issued or not issued properly, and invoices were paid without documentation that goods had been received and/or services had been rendered
06.05	15	Deficiencies were noted in the maintenance of accounting records
06.08	17	The office did not properly maintain inventory records and controls over assets

**OFFICE OF ROAD SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.09	18	Adequate controls were not maintained over rock
06.10	18	The office did not properly issue purchase orders

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.14	21	Collections were not properly deposited
06.15	21	The office had deficiencies in the administration of drug control funds

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.16	22	A central system of accounting, budgeting, and purchasing had not been adopted
06.17	22	Duties were not segregated adequately 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
06.18	23	The Industrial Development Board of the County of Jackson, Tennessee, was not audited

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**JACKSON COUNTY, TENNESSEE, AND THE  
JACKSON COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

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

1. Adverse opinions were issued on the financial statements of Jackson County and the Jackson County School Department.
2. The audit of the financial statements of Jackson County and the Jackson County School Department disclosed significant deficiencies in internal control. Four of these conditions were also considered to be material weaknesses to Jackson County.
3. The audit disclosed three instances of noncompliance that were material to the financial statements of Jackson County, and two instances of noncompliance that were material to the financial statements of the Jackson County School Department.
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: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Community Development Block Grants/State's Program (CFDA No. 14.228) 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 and the Jackson County School Department did not qualify as low-risk auditees.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the director of schools, clerk and master, and sheriff are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **JACKSON COUNTY AND JACKSON COUNTY SCHOOL DEPARTMENT**

**FINDING 07.01**      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

Jackson County and the Jackson County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Jackson County and the Jackson County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Jackson County’s and the Jackson County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. Jackson County’s and the Jackson County School Department’s financial statements are presented in compliance with these requirements.

### **RECOMMENDATION**

Jackson County and the Jackson County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The Jackson County School Department is in the process of finishing the work started earlier to complete the recommendation by the deadline of June 30, 2008.

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FINDING 07.02      **JACKSON COUNTY AND THE JACKSON COUNTY SCHOOL DEPARTMENT HAVE NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**  
(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, Jackson County and the Jackson County School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Jackson County and the Jackson County School Department filed with the Comptroller’s Office shows that the county and the School Department failed to perform the steps in accordance with the timeline set forth in their plan. If Jackson County and the Jackson County School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county and the School Department.

RECOMMENDATION

Jackson County and the Jackson County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The Jackson County School Department is in the process of finishing the work started earlier to complete the recommendation by the deadline of June 30, 2008.

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OFFICE OF COUNTY MAYOR

FINDING 07.03      **EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Material Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the following funds’ major appropriation categories (the legal level of control):

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
General:	
County Buildings	\$ 3,443
Sheriff's Department	12,185
Jail	100,690
Fire Prevention and Control	8,000
Ambulance/Emergency Medical Services	2,371
Airport	19,786
Miscellaneous	15,948
General Debt Service:	
Other Debt Service - General Government	13,662
Drug Control:	
Alcohol and Drug Programs	2,500

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.”

#### RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

FINDING 07.04      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
 (Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. The office did not issue purchase orders for some applicable purchases. Purchase orders are necessary to control who has authority to make purchases and to document purchasing commitments. Also, 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. Furthermore, our examination disclosed that descriptions and dollar amounts of purchases were not listed on some purchase orders. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.

- B. In several instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.
- C. In some instances, proper documentation was not on file to support purchases. We extended our procedures to determine that these disbursements were for the benefit of the county.
- D. Several expenditures were coded to accounts that did not reflect the true nature of the transactions. These misclassifications were not corrected; however, they were not considered material to the financial statements of this report.

**RECOMMENDATION**

Purchase orders should be issued for all applicable purchases before purchases are made and should include the dollar amounts and descriptions of items purchased. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid. Proper documentation should be on file to support all purchases, and expenditures should be coded to accounts that most appropriately reflect the true nature of the transactions.

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**FINDING 07.05      DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**

(A. – Internal Control – Material Weakness Under Government Auditing Standards; B. and C. – Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of the accounting records revealed the following deficiencies:

- A. Payables at June 30, 2007, were not determined and recorded on the accounting records for the General Capital Projects Fund as required by generally accepted accounting principles. We performed additional audit procedures and determined payables of \$179,381 at June 30, 2007. We have presented audit adjustments to management for their approval and posting to present these payables properly in the financial statements of this report.
- B. Fund balance reserves were reflected in the accounting records of the General Fund at June 30, 2007; however, the office could not provide documentation to support the calculation of these reserves. We performed additional audit procedures and determined the reservations of fund balance were materially correct.

- C. General ledger payroll liability accounts were not reconciled monthly with payroll reports and payments. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected. We extended our audit procedures and presented adjustments to management to correct any errors.

RECOMMENDATION

Payables should be properly determined and recorded on the accounting records as required by generally accepted accounting principles. Also, officials should have documentation on file to support the calculation for any reserves. This documentation should include the beginning balances, detailed revenues and expenditures, and ending balances for all legally restricted revenues. Furthermore, general ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

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FINDING 07.06      **THE OFFICE DID NOT PROPERLY MAINTAIN INVENTORY RECORDS AND CONTROLS OVER ASSETS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of controls over county assets revealed the following deficiencies:

- A. We noted certain assets that were not included on the inventory, such as the assets administered by the Sheriff's Department.
- B. Inventory records did not include all of the information necessary to identify the assets, such as the serial number.
- C. Inventory records were not verified by personnel who are independent of maintaining the inventory records.

Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles. The failure to maintain inventory records properly results in a loss of control over assets.

RECOMMENDATION

The county should improve controls over assets. County officials should ensure that inventory lists include all of the county's assets and that the descriptions are sufficient to identify the assets. Also, personnel independent of the record-keeping process should periodically verify inventory records.

**FINDING 07.07 LEAVE RECORDS WERE NOT ON FILE TO SUPPORT PAYROLL DISBURSEMENTS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The County Mayor’s Office did not have documentation on file to support vacation, sick, or compensatory leave taken by county employees. Payroll disbursements for county employees were made with the assumption that leave records are maintained by each department head.

**RECOMMENDATION**

The County Mayor’s Office should maintain summary 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 07.08 ADEQUATE CONTROLS OVER FUEL WERE NOT MAINTAINED**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The county dispensed fuel from a pump located at the Ambulance Service for use by the Ambulance Service and solid waste vehicles. However, the office did not reconcile amounts used with amounts purchased and on hand. Also, there were no physical controls on the pump to reduce the risk of loss other than a security camera. The failure to maintain adequate controls over consumable assets results in a loss of control over the assets and increases the risk of loss.

**RECOMMENDATION**

The office should reconcile gasoline usage with gasoline purchased and on hand, as well as with gallons pumped as indicated on the fuel pump meter. Also, the office should consider other physical controls over the fuel pump at the Ambulance Service to reduce the risk of loss.

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**OFFICE OF ROAD SUPERINTENDENT**

**FINDING 07.09      ADEQUATE CONTROLS WERE NOT MAINTAINED OVER ROCK**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not maintain adequate controls over rock. The failure to maintain adequate records for consumable assets results in a loss of control over the assets and increases the risk of inventory loss.

**RECOMMENDATION**

The office should maintain records of consumable assets, such as rock. Furthermore, personnel independent of maintaining the inventory should periodically verify these records.

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**FINDING 07.10      THE OFFICE DID NOT PROPERLY ISSUE PURCHASE ORDERS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Purchase orders were not issued in several instances. Purchase orders are necessary to control who has authority to make purchases and to document purchasing commitments. Also, 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. Furthermore, our examination noted that some purchase orders were not dated.

**RECOMMENDATION**

Purchase orders should be issued for all applicable purchases before purchases are made and should reflect the date issued.

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**OFFICE OF CLERK AND MASTER**

**FINDING 07.11      THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2007, the clerk and master prepared a trial balance of execution docket cause balances as required by Section 18-2-104, Tennessee Code Annotated (TCA). However, this trial balance did not reconcile with the general ledger accounts by \$146,232. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed

Property Act, Section 66-29-101, TCA. This statute provides that any funds held by the courts 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.

#### RECOMMENDATION

The clerk and master should reconcile the trial balance of execution docket cause balances with the general ledger accounts. To comply with state statutes, the clerk and master should report and pay to the state Treasurer's Office any unclaimed funds held for more than one year.

#### MANAGEMENT'S RESPONSE – CLERK AND MASTER

This finding was primarily due to a computer problem, me being a relatively new clerk, and not having sufficient training with the docket trial balance.

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#### FINDING 07.12      **SHORT-TERM ACCOUNT BALANCES DID NOT RECONCILE WITH THE GENERAL LEDGER** (Internal Control – Significant Deficiency Under Government Auditing Standards)

Short-term account balances did not reconcile with the general ledger by \$17,541 at June 30, 2007, and the clerk and master's office had not attempted to reconcile the differences. The balance presented for short-term accounts for report presentation was determined from bank confirmations.

#### RECOMMENDATION

Short-term account balances should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly.

#### MANAGEMENT'S RESPONSE – CLERK AND MASTER

This office had two short-term accounts that the previous clerk and master invested with an investment group. These accounts are divided into different types of investments. It is very difficult to understand the way that these investments gain and lose money since I am not very knowledgeable in the realm of investments. I have since learned how this process is to work and have made the necessary corrections to see that this does not occur in the future. As clerk and master, once these accounts are dispersed, I will not invest monies with an investment group unless ordered to do so by the court.

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**OFFICE OF SHERIFF**

**FINDING 07.13      **THE OFFICE HAD A CASH SHORTAGE OF \$1,866 AT December 7, 2007**  
(Noncompliance Under Government Auditing Standards)**

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

**RECOMMENDATION**

The sheriff should ensure that the cash shortage of \$1,866 is liquidated. Furthermore, Sheriff's Department officials should account for all funds received for confidential undercover drug operations.

**MANAGEMENT'S RESPONSE – SHERIFF**

Files were sent to the district attorney general for the Grand Jury and have not been returned. As soon as they are returned, we will get them to the audit department.

**REBUTTAL**

We contacted the District Attorney General's Office concerning the sheriff's records, and they advised us that they did not have any of the sheriff's records.

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**FINDING 07.14      **THE OFFICE HAD ACCOUNTING DEFICIENCIES**  
(A. and C. – Internal Control – Significant Deficiency Under Government Auditing Standards; B. and D. – Noncompliance Under Government Auditing Standards)**

The following accounting deficiencies were noted during our examination:

- A. Commissary and drug control funds were not posted to the official cash journal; therefore, the cash journal did not accurately reflect the operations of the Sheriff's Department.
- B. The sheriff prepared and filed his annual financial report as required by Section 5-8-505, Tennessee Code Annotated (TCA); however, this report did not include the commissary and drug control funds.

- C. Since commissary records were not posted to the official cash journal, the bank statements for the commissary account could not be reconciled with cash control records. Bank balances were determined by confirmation and alternative auditing procedures.
- D. The Sheriff's Department did not deposit collections to the office bank account within three days of collection as required by Section 5-8-207, TCA. This statute requires county officials to deposit all funds within three days of collection.

RECOMMENDATION

All commissary and drug control activity should be reflected on the official cash journal and the annual financial report. Bank statements should be reconciled with the cash journal monthly. Also, the office should deposit all funds within three days of collection as required by state statute.

MANAGEMENT'S RESPONSE – SHERIFF

- A. Drug files were sent to the district attorney general for the Grand Jury and have not been returned. As soon as they are returned, we will get them to the audit department.

Due to the turnover in employees, there have been three different people operating the Swanson's Inmate Commissary. Getting someone with the company to come and train each time an employee changes is hard due to the distance of travel and time.

- B. The commissary figures were not made available to the secretary due to the turnover in employees and the account not being balanced. We were unaware that the drug funds needed to be on the Annual Financial Report because it has never been done in the past.

- D. Due to the turnover in employees, there have been three different people operating the Swanson's Inmate Commissary. Getting someone with the company to come and train each time an employee changes is hard due to the distance of travel and time.

REBUTTAL

The District Attorney General's Office was contacted concerning the sheriff's records, and they advised us that they did not have any of the sheriff's records. The sheriff is ultimately responsible for the accuracy and completeness of his financial records.

FINDING 07.15      **THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF DRUG CONTROL FUNDS**  
(Noncompliance Under Government Auditing Standards)

The Sheriff's Office had the following deficiencies in administering drug control funds:

- A.      Several forms and reports required by the Office of the Comptroller of the Treasury were not completed or prepared. These forms and reports are necessary to document the administration of confidential funds and to account for cash transactions related to undercover investigative operations. We noted disbursements from confidential drug funds of \$727 that had no supporting documentation other than the informant's identification number and date paid.
  
- B.      Several forms documenting payments to confidential informants did not have the required signatures of two officers or the informant. The signature of the first officer is necessary to document that he made the payment, the signature of the second officer is necessary to document that he witnessed the payment, and the signature of the informant is necessary to document that the informant received the funds.

RECOMMENDATION

The sheriff should ensure that the officers complete all forms and prepare all reports required by the Office of the Comptroller of the Treasury to document undercover investigative operations. Payments to informants should be documented by the signatures of two officers and the informant.

MANAGEMENT'S RESPONSE – SHERIFF

- A.      These forms and reports are in the files at the District Attorney General's Office. Files were sent to the district attorney for the Grand Jury and have not been returned. As soon as they are returned, we will get them to the audit department.

REBUTTAL

The District Attorney General's Office was contacted concerning the sheriff's records, and they advised us that they did not have any of the sheriff's records.

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## OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 07.16      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

### RECOMMENDATION

County officials should consider adopting the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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**FINDING 07.17      DUTIES WERE NOT SEGREGATED ADEQUATELY 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**  
(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 the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

### MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

This office is continually working to segregate the duties as well as we can with the limited amount of staff that is employed by the office. An additional clerk was hired for the 2008 year, and we are in the process of cross training and segregating the duties.

FINDING 07.18      **THE INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF JACKSON, TENNESSEE, WAS NOT AUDITED**  
(Noncompliance Under Government Auditing Standards)

An annual audit was not performed on the Industrial Development Board of the County of Jackson, Tennessee, a component unit of Jackson County. Section 9-3-211, Tennessee Code Annotated, requires an annual audit of each entity charged with the care and control of public funds.

RECOMMENDATION

An annual audit of the Industrial Development Board of the County of Jackson, Tennessee, should be performed as required by state statute.

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

There were no findings and questioned costs for federal awards.

**JACKSON COUNTY, TENNESSEE, AND THE  
JACKSON COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

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.

**Road Superintendent – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.17 and 06.19**

Although the Road Superintendent's Office as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.

**Director of Schools – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.17 and 06.19**

Although the School Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.