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# **ANNUAL FINANCIAL REPORT**

## **JACKSON COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2013**



**ANNUAL FINANCIAL REPORT  
JACKSON COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

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

***RODNEY MALIN, CGFM  
KELLEY J. McNEAL, CPA, CGFM  
State Auditors***

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

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***Audit Highlights***  
Annual Financial Report  
Jackson County, Tennessee  
For the Year Ended June 30, 2013

***Scope***

We have audited the basic financial statements of Jackson County as of and for the year ended June 30, 2013.

***Results***

Our report on the Jackson County financial statements is unmodified.

Our audit resulted in 17 findings and recommendations, which we have reviewed with Jackson County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

***Findings and Best Practice***

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

**OFFICE OF COUNTY MAYOR**

- ◆ The General Fund required material audit adjustments for proper financial statement presentation.
- ◆ The general ledger cash account for the General Fund was not properly reconciled with county trustee reports.
- ◆ The office had deficiencies in budget operations.
- ◆ The office had deficiencies in purchasing procedures.
- ◆ Leave records were not on file to support payroll disbursements.
- ◆ General ledger payroll liability accounts were not reconciled.

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**OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS**

- ◆ The practice of paying School Department expenditures from the General Fund is of questionable legality.
-

## **OFFICE OF ROAD SUPERINTENDENT**

- ◆ The Highway/Public Works Fund had a deficit in unassigned fund balance at June 30, 2013.
- 

## **OFFICE OF ASSESSOR OF PROPERTY**

- ◆ The assessor did not prorate new construction.
- 

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

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

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

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

## **OFFICE OF COUNTY CLERK**

- ◆ The county clerk used official funds of the office for personal purposes.
  - ◆ Bank statements were not reconciled with the general ledger.
- 

## **OFFICE OF CLERK AND MASTER**

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

## **OFFICE OF SHERIFF**

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

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

- ◆ Duties were not segregated adequately.
- 

**JACKSON COUNTY**

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

**BEST PRACTICE**

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

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# INTRODUCTORY SECTION

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# Jackson County Officials

## June 30, 2013

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### **Officials**

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

### **Board of County Commissioners**

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

### **Board of Education**

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

### **Audit Committee**

Jay Cassetty  
Gary Gill  
Joe Halfacre  
Ronny West

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# FINANCIAL SECTION

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

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Jackson County Emergency Communications District, which represent 1.74 percent, 2.09 percent, and 3.67 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Jackson County Emergency Communications District, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Tennessee, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note V.B., Jackson County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Jackson County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

## ***Other Matters***

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the schedule of funding progress – pension plan and other postemployment benefits plan on pages 71-73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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, combining and individual fund financial statements of the Jackson County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Jackson County School Department (a discretely presented component unit), and miscellaneous schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures

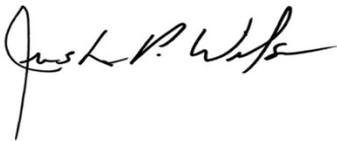
in accordance with auditing standards generally accepted in the United States of America by us and by other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Jackson County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, on our consideration of Jackson County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 30, 2013

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Jackson County, Tennessee  
Statement of Net Position  
June 30, 2013

	Primary Governmental Activities	Component Units	
		Jackson County School Department	Jackson County Emergency Communications District
<b>ASSETS</b>			
Cash	\$ 18,454	\$ 0	\$ 220,587
Equity in Pooled Cash and Investments	1,597,711	6,995,657	0
Inventories	0	21,282	0
Accounts Receivable	250,886	3,001	180
Allowance for Uncollectibles	(49,947)	0	0
Due from Other Governments	1,039,260	260,699	4,745
Due from Component Units	7,666,000	0	0
Property Taxes Receivable	3,310,597	1,845,293	0
Allowance for Uncollectible Property Taxes	(121,559)	(67,755)	0
Prepaid Items	0	0	1,824
Capital Assets:			
Assets Not Depreciated:			
Land	364,836	173,608	0
Construction in Progress	153,794	0	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	6,147,608	10,761,956	0
Other Capital Assets	1,195,577	747,034	140,012
Infrastructure	15,686,248	0	0
Total Assets	<u>\$ 37,259,465</u>	<u>\$ 20,740,775</u>	<u>\$ 367,348</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 158,983	\$ 0	\$ 1,790
Accrued Payroll	0	4,230	9,213
Payroll Deductions Payable	20,925	163,578	510
Accrued Interest Payable	17,294	0	0
Contracts Payable	496,780	0	0
Retainage Payable	30,348	0	0
Due to Primary Government	0	7,666,000	0
Due to State of Tennessee	0	6,488	0
Noncurrent Liabilities:			
Due Within One Year	920,074	0	4,841
Due in More Than One Year	11,320,012	446,458	121,031
Total Liabilities	<u>\$ 12,964,416</u>	<u>\$ 8,286,754</u>	<u>\$ 137,385</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Current Property Taxes	\$ 3,020,438	\$ 1,683,562	\$ 0
Total Deferred Inflows of Resources	<u>\$ 3,020,438</u>	<u>\$ 1,683,562</u>	<u>\$ 0</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 18,973,977	\$ 0	\$ 14,140
Investment in Capital Assets	0	11,682,598	0
Restricted for:			
Solid Waste/Sanitation	82,314	0	0
Drug Control	57,443	0	0
Highway/Public Works	280,913	0	0
Debt Service	716,912	0	0
Capital Projects	2,216	0	0
School Federal Projects	0	64,212	0
Central Cafeteria	0	385,627	0
Other Purposes	135,159	2,207	0
Unrestricted	1,025,677	(1,364,185)	215,823
Total Net Position	<u>\$ 21,274,611</u>	<u>\$ 10,770,459</u>	<u>\$ 229,963</u>

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

Exhibit B

Jackson County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
					Total Governmental Activities	Jackson County School Department	County Emergency Communications District	
<b>Primary Government:</b>								
Governmental Activities:								
General Government	\$ 517,532	\$ 47,833	\$ 11,373	\$ 0	\$ (458,326)	\$ 0	\$ 0	0
Finance	334,673	235,103	0	0	(99,570)	0	0	0
Administration of Justice	500,620	208,217	69,000	0	(223,403)	0	0	0
Public Safety	2,417,701	1,057,755	50,676	181,575	(1,127,695)	0	0	0
Public Health and Welfare	1,359,906	573,498	10,953	117,585	(657,870)	0	0	0
Social, Cultural, and Recreational Services	113,272	3,921	14,387	0	(94,964)	0	0	0
Agriculture and Natural Resources	438,437	0	222,037	0	(216,400)	0	0	0
Other Operations	493,835	24,317	14,286	156,232	(299,000)	0	0	0
Highways/Public Works	2,373,062	91,640	1,408,996	1,735,425	862,999	0	0	0
Interest on Long-term Debt	82,926	0	0	0	(82,926)	0	0	0
Other Debt Service	76,337	0	0	0	(76,337)	0	0	0
<b>Total Governmental Activities</b>	<b>\$ 8,708,301</b>	<b>\$ 2,242,284</b>	<b>\$ 1,801,708</b>	<b>\$ 2,190,817</b>	<b>\$ (2,473,492)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$ 8,708,301</b>	<b>\$ 2,242,284</b>	<b>\$ 1,801,708</b>	<b>\$ 2,190,817</b>	<b>\$ (2,473,492)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>0</b>
<b>Component Units:</b>								
Jackson County School Department	\$ 13,871,142	\$ 246,721	\$ 2,139,601	\$ 0	\$ 0	\$ (11,484,820)	\$ 0	0
Emergency Communications District	368,163	94,421	152,614	0	0	0	0	(121,128)
<b>Total Component Units</b>	<b>\$ 14,239,305</b>	<b>\$ 341,142</b>	<b>\$ 2,292,215</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (11,484,820)</b>	<b>\$ (121,128)</b>	<b>0</b>

(Continued)

Exhibit B

Jackson County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units	
				Total Governmental Activities	Jackson County School Department	County Emergency Communications District	
General Revenues:							
Taxes:				\$	\$	\$	\$
Property Taxes Levied for General Purposes				3,004,661	1,703,286		0
Property Taxes Levied for Debt Service				32,947	0		0
Local Option Sales Taxes				153,843	524,684		0
Wheel Tax				264,663	158,797		0
Business Tax				26,874	0		0
Mineral Severance Tax				26,257	0		0
Wholesale Beer Tax				75,207	0		0
Litigation Taxes				25,978	0		0
Other Local Taxes				1,747	1,265		0
Grants and Contributions Not Restricted to Specific Programs				525,924	9,321,155	291,110	291,110
Unrestricted Investment Earnings				61,467	2,020	430	430
Miscellaneous				83,200	37,876	1,900	1,900
Gain on the Disposal of Capital Assets				0	35,950	0	0
Total General Revenues				\$ 4,282,768	\$ 11,785,033	\$ 293,440	\$ 293,440
Insurance Recovery				\$ 8,140	\$ 0	\$ 0	\$ 0
Change in Net Position				\$ 1,817,416	\$ 300,213	\$ 172,312	\$ 172,312
Net Position, July 1, 2012				19,457,195	10,470,246	57,651	57,651
Net Position, June 30, 2013				\$ 21,274,611	\$ 10,770,459	\$ 229,963	\$ 229,963

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

Exhibit C-1

Jackson County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	0	0	18,454	\$ 18,454
Cash	1,075,156	53,277	107,123	275,569	86,586	1,597,711	\$ 1,597,711
Equity in Pooled Cash and Investments	243,982	396	2,178	3,412	918	250,886	\$ 250,886
Accounts Receivable	(49,947)	0	0	0	0	(49,947)	\$ (49,947)
Allowance for Uncollectibles	316,687	1,076	721,497	0	0	1,039,260	\$ 1,039,260
Due from Other Governments	19,372	6,429	0	650,000	0	675,801	\$ 675,801
Due from Other Funds	2,550,619	524,870	199,017	36,091	0	3,310,597	\$ 3,310,597
Property Taxes Receivable	(93,654)	(19,272)	(7,308)	(1,325)	0	(121,559)	\$ (121,559)
Allowance for Uncollectible Property Taxes							
Total Assets	\$ 4,062,215	\$ 566,776	\$ 1,022,507	\$ 963,747	\$ 105,958	\$ 6,721,203	\$ 6,721,203

ASSETS

Cash  
Equity in Pooled Cash and Investments  
Accounts Receivable  
Allowance for Uncollectibles  
Due from Other Governments  
Due from Other Funds  
Property Taxes Receivable  
Allowance for Uncollectible Property Taxes

Total Assets

LIABILITIES

Accounts Payable  
Payroll Deductions Payable  
Contracts Payable  
Retainage Payable  
Due to Other Funds  
Total Liabilities

\$	12,984	0	145,999	0	0	0	\$ 158,983
	15,330	5,595	0	0	0	0	\$ 20,925
	112,864	0	383,916	0	0	0	\$ 496,780
	4,514	0	25,834	0	0	0	\$ 30,348
	656,429	0	0	0	19,372	0	\$ 675,801
\$	802,121	5,595	555,749	0	19,372	0	\$ 1,382,837

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes  
Deferred Delinquent Property Taxes  
Other Deferred/Unavailable Revenue  
Total Deferred Inflows of Resources

\$	2,327,069	478,867	181,574	32,928	0	0	\$ 3,020,438
	124,949	25,713	9,749	1,768	0	0	\$ 162,179
	203,210	0	525,464	0	0	0	\$ 728,674
\$	2,655,228	504,580	716,787	34,696	0	0	\$ 3,911,291

FUND BALANCES

Restricted:  
Restricted for General Government  
Restricted for Administration of Justice  
Restricted for Public Safety  
Restricted for Public Health and Welfare  
Restricted for Debt Service  
Restricted for Capital Projects

\$	15,616	0	0	0	0	0	\$ 15,616
	114,908	0	0	0	0	0	\$ 114,908
	4,635	0	0	0	57,443	0	\$ 62,078
	0	56,601	0	0	0	0	\$ 56,601
	0	0	0	728,167	0	0	\$ 728,167
	0	0	0	0	2,216	0	\$ 2,216

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	0	0	940	\$ 940
	0	0	0	0	0	25,987	25,987
	0	0	0	200,884	0	0	200,884
	469,707	0	(250,029)	0	0	0	219,678
\$	604,866	56,601	(250,029)	929,051	86,586	0	1,427,075
\$	4,062,215	566,776	1,022,507	963,747	105,958	0	6,721,203

FUND BALANCES (CONT.)

Committed:  
 Committed for Administration of Justice 940  
 Committed for Other Operations 25,987  
 Committed for Debt Service 200,884  
 Unassigned 0  
 Total Fund Balances 219,678

Total Liabilities, Deferred Inflows of Resources, and Fund Balances 6,721,203

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

Exhibit C-2

Jackson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Position  
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 1,427,075
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 364,836	
Add: construction in progress	153,794	
Add: buildings and improvements net of accumulated depreciation	6,147,608	
Add: infrastructure net of accumulated depreciation	15,686,248	
Add: other capital assets net of accumulated depreciation	<u>1,195,577</u>	23,548,063
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (208,377)	
Less: notes payable	(752,709)	
Less: other loans payable	(11,279,000)	
Add: contributions due from School Department for other loans	7,666,000	
Less: accrued interest on bonds and notes	<u>(17,294)</u>	(4,591,380)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>890,853</u>
Net position of governmental activities (Exhibit A)		<u>\$ 21,274,611</u>

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

Exhibit C-3

Jackson County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<b>Revenues</b>							
Local Taxes	\$ 3,000,099	\$ 479,718	\$ 209,727	\$ 33,057	\$ 0	\$ 0	\$ 3,722,601
Licenses and Permits	398	0	0	0	0	0	398
Fines, Forfeitures, and Penalties	35,945	0	0	0	27,949	0	63,894
Charges for Current Services	682,678	0	0	0	1,160	0	683,838
Other Local Revenues	179,384	10,660	110,330	8	12,000	0	312,382
Fees Received from County Officials	389,941	0	0	0	0	0	389,941
State of Tennessee	911,560	4,000	2,495,105	350,000	0	0	3,760,665
Federal Government	694,391	0	563,808	0	0	0	1,258,199
Other Governments and Citizens Groups	241,050	0	0	490,078	0	0	731,128
<b>Total Revenues</b>	<b>\$ 6,135,446</b>	<b>\$ 494,378</b>	<b>\$ 3,378,970</b>	<b>\$ 873,143</b>	<b>\$ 41,109</b>	<b>\$ 0</b>	<b>\$ 10,923,046</b>
<b>Expenditures</b>							
Current:							
General Government	\$ 549,354	\$ 0	\$ 0	\$ 0	\$ 6,809	\$ 0	\$ 556,163
Finance	314,799	0	0	0	0	0	314,799
Administration of Justice	469,636	0	0	0	1,160	0	470,796
Public Safety	2,311,995	0	0	0	4,054	0	2,316,049
Public Health and Welfare	797,973	435,807	0	0	0	0	1,233,780
Social, Cultural, and Recreational Services	107,146	0	0	0	0	0	107,146
Agriculture and Natural Resources	420,628	0	0	0	0	0	420,628
Other Operations	879,967	9,448	0	734	54,840	0	944,989
Highways	24,665	0	3,483,251	0	0	0	3,507,916
Debt Service:							
Principal on Debt	0	0	91,937	799,302	0	0	891,239
Interest on Debt	0	0	9,180	77,616	0	0	86,796
Other Debt Service	0	0	0	76,337	0	0	76,337
<b>Total Expenditures</b>	<b>\$ 5,876,163</b>	<b>\$ 445,255</b>	<b>\$ 3,584,368</b>	<b>\$ 953,989</b>	<b>\$ 66,863</b>	<b>\$ 0</b>	<b>\$ 10,926,638</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 259,283</b>	<b>\$ 49,123</b>	<b>\$ (205,398)</b>	<b>\$ (80,846)</b>	<b>\$ (25,754)</b>	<b>\$ 0</b>	<b>\$ (3,592)</b>

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 85,000	\$ 0	\$ 0	\$ 0	\$ 85,000
Insurance Recovery	8,140	0	0	0	0	0	8,140
Total Other Financing Sources (Uses)	\$ 8,140	\$ 0	\$ 85,000	\$ 0	\$ 0	\$ 0	\$ 93,140
Net Change in Fund Balances	\$ 267,423	\$ 49,123	\$ (120,398)	\$ (80,846)	\$ (25,754)	\$	\$ 89,548
Prior-period Adjustment	492,796	0	0	(492,796)	0	0	0
Fund Balance, July 1, 2012	(155,353)	7,478	(129,631)	1,502,693	112,340		1,337,527
Fund Balance, June 30, 2013	\$ 604,866	\$ 56,601	\$ (250,029)	\$ 929,051	\$ 86,586	\$	\$ 1,427,075

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

Exhibit C-4

Jackson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 89,548
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: assets purchased and capitalized	\$ 1,813,280	
Less: current-year depreciation expense	<u>(490,052)</u>	1,323,228
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 890,853	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(891,322)</u>	(469)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on notes	\$ 318,182	
Add: principal payments on bonds	9,057	
Add: principal payments on other loans	564,000	
Less: principal payments contributed by School Department	(405,000)	
Less: note proceeds	<u>(85,000)</u>	401,239
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest on bonds	\$ (121)	
Change in accrued interest on notes	<u>3,991</u>	<u>3,870</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,817,416</u>

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

Exhibit C-5

Jackson County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,000,099	\$ 2,829,345	\$ 2,838,291	\$ 161,808
Licenses and Permits	398	1,500	1,500	(1,102)
Fines, Forfeitures, and Penalties	35,945	29,300	37,100	(1,155)
Charges for Current Services	682,678	762,500	746,014	(63,336)
Other Local Revenues	179,384	181,000	272,808	(93,424)
Fees Received from County Officials	389,941	323,500	324,003	65,938
State of Tennessee	911,560	1,194,664	1,268,653	(357,093)
Federal Government	694,391	540,000	949,422	(255,031)
Other Governments and Citizens Groups	241,050	60,000	60,000	181,050
<b>Total Revenues</b>	<b>\$ 6,135,446</b>	<b>\$ 5,921,809</b>	<b>\$ 6,497,791</b>	<b>\$ (362,345)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 36,791	\$ 38,360	\$ 40,860	\$ 4,069
Board of Equalization	900	1,000	1,000	100
Beer Board	80	200	200	120
County Mayor/Executive	146,710	145,025	145,475	(1,235)
County Attorney	5,732	5,503	5,503	(229)
Election Commission	128,332	139,464	153,664	25,332
Register of Deeds	93,009	94,419	94,920	1,911
County Buildings	136,329	139,540	144,817	8,488
Preservation of Records	1,471	1,900	1,900	429
<u>Finance</u>				
Property Assessor's Office	93,146	95,775	97,462	4,316
Reappraisal Program	235	0	0	(235)
County Trustee's Office	95,594	92,966	92,966	(2,628)
County Clerk's Office	125,824	128,117	128,118	2,294
<u>Administration of Justice</u>				
Circuit Court	173,670	170,269	170,419	(3,251)
General Sessions Court	130,638	125,751	125,751	(4,887)
Chancery Court	88,747	90,521	91,421	2,674
Juvenile Court	35,064	32,065	32,665	(2,399)
Judicial Commissioners	38,264	37,001	37,101	(1,163)
Other Administration of Justice	3,253	3,875	3,875	622
<u>Public Safety</u>				
Sheriff's Department	824,088	810,982	862,625	38,537
Drug Enforcement	283	0	6,800	6,517
Administration of the Sexual Offender Registry	1,498	2,000	2,750	1,252
Jail	1,134,953	1,261,253	1,270,416	135,463
Fire Prevention and Control	100,050	100,973	133,075	33,025
Other Emergency Management	251,123	222,200	222,200	(28,923)
Other Public Safety	0	7,000	7,000	7,000
<u>Public Health and Welfare</u>				
Local Health Center	37,655	42,600	42,600	4,945
Ambulance/Emergency Medical Services	739,470	748,900	769,900	30,430
Crippled Children Services	0	900	900	900
Regional Mental Health Center	4,648	5,811	5,811	1,163

(Continued)

Exhibit C-5

Jackson County, Tennessee  
Statement 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 (Cont.)</u>				
Appropriation to State	\$ 16,200	\$ 16,200	\$ 16,200	\$ 0
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	20,457	17,437	19,537	(920)
Senior Citizens Assistance	25,404	20,028	24,816	(588)
Libraries	61,285	59,930	59,930	(1,355)
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	47,605	44,266	48,462	857
Soil Conservation	373,023	169,400	528,690	155,667
<u>Other Operations</u>				
Industrial Development	4,381	3,800	5,300	919
Other Economic and Community Development	14,376	500	14,786	410
Airport	157,060	4,400	39,400	(117,660)
Other Charges	364,504	350,485	350,485	(14,019)
Contributions to Other Agencies	28,528	28,665	28,665	137
Employee Benefits	161,482	149,000	156,000	(5,482)
Miscellaneous	149,636	96,000	96,000	(53,636)
<u>Highways</u>				
Litter and Trash Collection	24,665	39,200	39,200	14,535
Total Expenditures	\$ 5,876,163	\$ 5,543,681	\$ 6,119,665	\$ 243,502
Excess (Deficiency) of Revenues Over Expenditures				
	\$ 259,283	\$ 378,128	\$ 378,126	\$ (118,843)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 8,140	\$ 0	\$ 0	\$ 8,140
Transfers Out	0	(130,000)	(130,000)	130,000
Total Other Financing Sources	\$ 8,140	\$ (130,000)	\$ (130,000)	\$ 138,140
Net Change in Fund Balance				
Prior-period Adjustment	\$ 492,796	0	0	492,796
Fund Balance, July 1, 2012	(155,353)	(100,887)	(100,887)	(54,466)
Fund Balance, June 30, 2013	\$ 604,866	\$ 147,241	\$ 147,239	\$ 457,627

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

Exhibit C-6

Jackson County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 479,718	\$ 458,506	\$ 458,506	\$ 21,212
Charges for Current Services	0	1,000	1,000	(1,000)
Other Local Revenues	10,660	9,000	9,000	1,660
State of Tennessee	4,000	6,000	3,000	1,000
Total Revenues	<u>\$ 494,378</u>	<u>\$ 474,506</u>	<u>\$ 471,506</u>	<u>\$ 22,872</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 257,289	\$ 272,614	\$ 270,400	\$ 13,111
Convenience Centers	178,518	178,714	180,929	2,411
<u>Other Operations</u>				
Other Charges	9,448	0	0	(9,448)
Total Expenditures	<u>\$ 445,255</u>	<u>\$ 451,328</u>	<u>\$ 451,329</u>	<u>\$ 6,074</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 49,123</u>	<u>\$ 23,178</u>	<u>\$ 20,177</u>	<u>\$ 28,946</u>
Net Change in Fund Balance	\$ 49,123	\$ 23,178	\$ 20,177	\$ 28,946
Fund Balance, July 1, 2012	<u>7,478</u>	<u>1,558</u>	<u>1,558</u>	<u>5,920</u>
Fund Balance, June 30, 2013	<u>\$ 56,601</u>	<u>\$ 24,736</u>	<u>\$ 21,735</u>	<u>\$ 34,866</u>

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

Exhibit C-7

Jackson County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 209,727	\$ 0	\$ 209,727	\$ 203,294	\$ 203,290	\$ 6,437
Other Local Revenues	110,330	0	110,330	65,500	103,650	6,680
State of Tennessee	2,495,105	0	2,495,105	1,398,840	2,376,539	118,566
Federal Government	563,808	0	563,808	0	1,122,122	(558,314)
Total Revenues	\$ 3,378,970	\$ 0	\$ 3,378,970	\$ 1,664,594	\$ 3,805,601	\$ (426,631)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 135,191	\$ 0	\$ 135,191	\$ 139,524	\$ 141,614	\$ 6,423
Highway and Bridge Maintenance	1,664,462	(741,289)	923,173	1,235,652	1,867,252	944,079
Operation and Maintenance of Equipment	383,145	0	383,145	453,520	448,420	65,275
Other Charges	54,793	0	54,793	61,250	62,750	7,957
Employee Benefits	114,831	0	114,831	123,000	125,000	10,169
Capital Outlay	1,130,829	(623,883)	506,946	11,500	1,161,345	654,399
Principal on Debt						
Highways and Streets	91,937	0	91,937	101,500	92,000	63
Interest on Debt						
Highways and Streets	9,180	0	9,180	0	9,500	320
Total Expenditures	\$ 3,584,368	\$ (1,365,172)	\$ 2,219,196	\$ 2,125,946	\$ 3,907,881	\$ 1,688,685
Excess (Deficiency) of Revenues Over Expenditures	\$ (205,398)	\$ 1,365,172	\$ 1,159,774	\$ (461,352)	\$ (102,280)	\$ 1,262,054
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 85,000	\$ 0	\$ 85,000	\$ 0	\$ 85,000	\$ 0
Total Other Financing Sources	\$ 85,000	\$ 0	\$ 85,000	\$ 0	\$ 85,000	\$ 0

(Continued)

Exhibit C-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (120,398)	\$ 1,365,172	\$ 1,244,774	\$ (461,352)	\$ (17,280)	\$ 1,262,054
Fund Balance, July 1, 2012	(129,631)	(1,365,172)	(1,494,803)	517,377	517,377	(2,012,180)
Fund Balance, June 30, 2013	\$ (250,029)	\$ 0	\$ (250,029)	\$ 56,025	\$ 500,097	\$ (750,126)

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

Exhibit D

Jackson County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 337,697
Due from Other Governments	<u>42,671</u>
Total Assets	<u>\$ 380,368</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 42,671
Due to Litigants, Heirs, and Others	<u>337,697</u>
Total Liabilities	<u>\$ 380,368</u>

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

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**JACKSON COUNTY, TENNESSEE**  
**Index of Notes to Financial Statements**

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**JACKSON COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

The Jackson County School Department operates the public school system in the county, and the voters of Jackson County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

Administrative Office:

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

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

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

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

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

Jackson County issues all debt for the discretely presented Jackson County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2013.

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

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

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

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

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Jackson County reports the following major governmental funds:

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

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

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

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

Additionally, Jackson County reports the following fund types:

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

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

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

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

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

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

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Jackson County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund. Jackson County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including

collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

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

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

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

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

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

Retainage payable in the General and Highway/Public Works funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held

by the county trustee as Equity in Pooled Cash and Investments in the General and Highway/Public Works funds.

**3. Inventories**

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

**4. Capital Assets**

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources,

represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The county had no items that qualified for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### **6. Compensated Absences**

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

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

7. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

8. **Net Position and Fund Balance**

In the government-wide financial statements equity is classified as net position and may be displayed in the following components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- c. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- d. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$135,159, with the primary restrictions being for: (1) computer systems for various offices (\$10,732), (2) alcohol and drug treatment (\$11,625), (3) courtroom security (\$869), (4) sexual offender program (\$3,972), and (5) driver's safety school (\$107,961).

As of June 30, 2013, Jackson County had \$7,666,000 in outstanding debt for capital purposes for the discretely presented Jackson County School Department. This debt is a liability of Jackson County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Jackson County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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

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

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

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

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's

highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

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

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

**9. Prior-period Adjustment**

A prior-period adjustment of \$492,796 is presented in the financial statements of this report (Exhibit C-3) to increase the July 1, 2012, fund equity in the General Fund and decrease the July 1, 2012, fund equity in the General Debt Service Fund. On July 1, 2012, the financial statements reflected a due to the General Debt Service Fund from the General Fund of \$492,796, which was the net result of incorrect postings of contracted prisoner board from 2007-11. On September 24, 2012, the County Commission passed a resolution to write-off this interfund balance.

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

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

**Primary Government**

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

**Discretely Presented Jackson County School Department**

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

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

**Primary Government**

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

**Discretely Presented Jackson County School Department**

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

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

**A. Budgetary Information**

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor, County Attorney, etc.).

Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

At June 30, 2013, the Jackson County School Department reported the following significant encumbrances:

Fund	Description	Amount
Major Fund:		
General Purpose School	Roof Replacements	\$ 179,488
"	Asbestos Removal	6,985
"	Custodial Supplies	17,151

**B. Fund Deficit**

The Highway/Public Works Fund had a deficit in the unassigned fund balance of \$250,029. The deficit resulted from the deferral of grant revenues of \$414,764, that were not received within the period of availability. This deficit is expected to be liquidated from federal grants subsequent to June 30, 2013.

**C. Expenditures Exceeded Appropriations**

1. Expenditures exceeded total appropriations approved by the County Commission in the General Debt Service Fund by \$20,266.
2. Expenditures exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
County Mayor/Executive	\$ 1,235
County Attorney	229
Reappraisal Program	235
County Trustee's Office	2,628
Circuit Court	3,251
General Sessions Court	4,887
Juvenile Court	2,399
Judicial Commissioners	1,163

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General (Cont.):	
Other Emergency Management	\$ 28,923
Adult Activities	920
Senior Citizens Assistance	588
Libraries	1,355
Airport	117,660
Other Charges	14,019
Employee Benefits	5,482
Miscellaneous	53,636
Solid Waste/Sanitation:	
Other Charges	9,448

3. Thirty-four salary line-items exceeded appropriations approved by the County Commission in the General Fund by amounts ranging from \$9 to \$3,808. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Expenditures that exceed appropriations are a violation of state statutes. The majority of these expenditures in excess of appropriations were funded by amounts not expended in other major appropriation categories.

**D. The County Clerk Used Official Funds of the Office for Personal Purposes**

The county clerk admitted to taking office funds of approximately \$1,200 from the April 29, 2012, deposit for her personal use, and that she had returned the cash to the deposit prior to April 30, 2013. The clerk also admitted that this was not the first time she had taken county funds for personal use, but she had replaced all funds taken. On August 21, 2013, the county clerk was indicted by the Jackson County Grand Jury on one count of theft of property (\$1,000 - \$10,000) and one count of official misconduct. The clerk resigned from the office on November 4, 2013.

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

On August 26, 2011, and December 29, 2011, the General Fund borrowed \$500,000 and \$150,000, respectively, from the General Debt Service Fund to provide cash for operations. These notes should have been retired by

June 30, 2012, but were still outstanding as of June 30, 2013. Jackson County has received approval from the state Division of Local Finance to repay \$130,000 per year for five years beginning with the fiscal year ending 2014.

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and Investments**

Jackson County and the Jackson County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

##### **Deposits**

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

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

##### **Investments**

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government

sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled or nonpooled investments as of June 30, 2013.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2013, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 364,836	\$ 0	\$ 0	\$ 364,836
Construction in Progress	52,577	153,794	(52,577)	153,794
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 417,413</b>	<b>\$ 153,794</b>	<b>\$ (52,577)</b>	<b>\$ 518,630</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 7,805,503	\$ 0	\$ 0	\$ 7,805,503
Infrastructure	16,961,331	1,399,500	0	18,360,831
Other Capital Assets	2,840,097	312,563	0	3,152,660
<b>Total Capital Assets Depreciated</b>	<b>\$ 27,606,931</b>	<b>\$ 1,712,063</b>	<b>\$ 0</b>	<b>\$ 29,318,994</b>

**Governmental Activities (Cont.):**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,497,268	\$ 160,627	\$ 0	\$ 1,657,895
Infrastructure	2,523,301	151,282	0	2,674,583
Other Capital Assets	1,778,940	178,143	0	1,957,083
<b>Total Accumulated Depreciation</b>	<b>\$ 5,799,509</b>	<b>\$ 490,052</b>	<b>\$ 0</b>	<b>\$ 6,289,561</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 21,807,422</b>	<b>\$ 1,222,011</b>	<b>\$ 0</b>	<b>\$ 23,029,433</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 22,224,835</b>	<b>\$ 1,375,805</b>	<b>\$ (52,577)</b>	<b>\$ 23,548,063</b>

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

**Governmental Activities:**

General Government	\$ 63,681
Public Safety	157,199
Public Health and Welfare	58,391
Social, Cultural, and Recreational Services	90
Highways/Public Works	210,691
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 490,052</b>

**Discretely Presented Jackson County School Department**

**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 173,658	\$ 0	\$ (50)	\$ 173,608
Construction in Progress	39,299	0	(39,299)	0
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 212,957</b>	<b>\$ 0</b>	<b>\$ (39,349)</b>	<b>\$ 173,608</b>

**Governmental Activities (Cont.):**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 14,927,158	\$ 39,299	\$ 0	\$ 14,966,457
Other Capital Assets	1,248,575	150,000	0	1,398,575
<b>Total Capital Assets</b>				
Depreciated	<u>\$ 16,175,733</u>	<u>\$ 189,299</u>	<u>\$ 0</u>	<u>\$ 16,365,032</u>
Less Accumulated				
Depreciated For:				
Buildings and				
Improvements	\$ 3,899,090	\$ 305,411	\$ 0	\$ 4,204,501
Other Capital Assets	564,853	86,688	0	651,541
<b>Total Accumulated</b>				
Depreciation	<u>\$ 4,463,943</u>	<u>\$ 392,099</u>	<u>\$ 0</u>	<u>\$ 4,856,042</u>
<b>Total Capital Assets</b>				
Depreciated, Net	<u>\$ 11,711,790</u>	<u>\$ (202,800)</u>	<u>\$ 0</u>	<u>\$ 11,508,990</u>
<b>Governmental Activities</b>				
Capital Assets, Net	<u>\$ 11,924,747</u>	<u>\$ (202,800)</u>	<u>\$ (39,349)</u>	<u>\$ 11,682,598</u>

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

**Governmental Activities:**

Instruction	\$ 305,411
Support Services	<u>86,688</u>
<b>Total Depreciation Expense -</b>	
Governmental Activities	<u><u>\$ 392,099</u></u>

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

The composition of interfund balances as of June 30, 2013, was as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 19,372
Solid Waste/Sanitation	General	6,429
General Debt Service	"	650,000

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.

**Due to/from Primary Government and Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General Debt Service	Component Unit: School Department	\$ 7,666,000

The Due to Primary Government is the balance of other loans issued by the county for the School Department. The School Department has agreed to contribute the funds annually to retire these other loans. These long-term obligations are reflected in governmental activities on the Statement of Net Position.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

**Discretely Presented Jackson County School Department**

<u>Transfers Out</u>	<u>Transfers In</u>
	General Purpose School Fund
School Federal Projects Fund	\$ 26,370
Nonmajor governmental fund	60,000

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

**D. Long-term Obligations**

**Primary Government**

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

Jackson County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. 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 12 years for notes, and up to 28 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, 2013, will be retired from the General Debt Service and Highway/Public Works funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	4 to 5 %	2-22-49	\$ 330,600	\$ 208,377
Capital Outlay Notes	2.49 to 4	10-15-16	1,444,059	752,709
Other Loans	variable	5-25-31	14,765,000	11,279,000

In prior years, Jackson County entered into two separate loan agreements with the Montgomery County Public Building Authority. Under these loan agreements, the authority loaned Jackson County \$3,500,000 and \$1,200,000, respectively, for jail construction. These loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2013, the variable interest rate for these loans was .33 percent and other fees totaled approximately .35 percent (letter of credit), .08 percent (remarketing), and a trustee fee of \$85 per month.

In a prior year, Jackson County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$6,300,000 to the School Department for construction of a middle school. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, debt remarketing, etc.) in connection with this loan. At June 30, 2013, the variable interest rate was .31 percent, and other fees totaled approximately .25 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal, and a trustee fee of \$85 per month.

In a prior year, Jackson County entered into a loan agreement with the Public Building Authority of the City of Clarksville, Tennessee. This loan agreement provided for the authority to make \$3,765,000 available for loan to Jackson County on an as-needed basis for the refunding of two school bonds

and for various school construction and renovation projects. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, debt remarketing, etc.) in connection with this loan. At June 30, 2013, the variable interest rate was .31 percent, and other fees totaled approximately .75 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal, and a trustee fee of \$85 per month.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 311,723	\$ 24,264	\$ 335,987
2015	294,386	13,836	308,222
2016	125,350	3,985	129,335
2017	21,250	529	21,779
Total	\$ 752,709	\$ 42,614	\$ 795,323

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 599,000	\$ 35,688	\$ 77,273	\$ 711,961
2015	620,000	33,798	73,387	727,185
2016	652,000	31,842	69,362	753,204
2017	674,000	29,785	65,130	768,915
2018	696,000	27,659	60,756	784,415
2019-2023	3,250,000	106,576	238,621	3,595,197
2024-2028	3,799,000	52,753	128,316	3,980,069
2029-2031	989,000	3,962	14,133	1,007,095
Total	\$ 11,279,000	\$ 322,063	\$ 726,978	\$ 12,328,041

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 9,351	\$ 8,529	\$ 17,880
2015	9,549	8,096	17,645
2016	4,151	7,624	11,775
2017	4,257	7,443	11,700
2018	4,367	7,258	11,625
2019-2023	16,150	34,100	50,250
2024-2028	19,650	30,600	50,250
2029-2033	23,907	26,343	50,250
2034-2038	29,086	21,164	50,250
2039-2043	35,388	14,862	50,250
2044-2048	43,055	7,195	50,250
2049	9,466	584	10,050
Total	\$ 208,377	\$ 173,798	\$ 382,175

There is \$929,051 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$1,052, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
<u>OTHER LOANS PAYABLE</u>	
<u>Payable through General Purpose School Fund</u>	
School Construction	\$ 4,716,000
Refunding/School Construction	<u>2,950,000</u>
Total	<u>\$ 7,666,000</u>

Changes in Long-term Obligations

Long-term obligation activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2012	\$ 217,434	\$ 985,891	\$ 3,772,000
Reclassification of School Debt	0	0	8,071,000
Additions	0	85,000	0
Reductions	(9,057)	(318,182)	(564,000)
Balance, June 30, 2013	<u>\$ 208,377</u>	<u>\$ 752,709</u>	<u>\$ 11,279,000</u>
Balance Due Within One Year	<u>\$ 9,351</u>	<u>\$ 311,723</u>	<u>\$ 599,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 12,240,086
Less: Balance Due Within One Year	<u>(920,074)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 11,320,012</u>

**Discretely Presented Jackson County School Department**

Changes in Long-term Obligations

Long-term obligation activity for the discretely presented Jackson County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Other Loans	Other Postemployment Benefits
Balance, July 1, 2012	\$ 8,071,000	\$ 344,727
Additions	0	146,152
Reductions	0	(44,421)
Reclassification of School Debt	<u>(8,071,000)</u>	<u>0</u>
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 446,458</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 446,458
Less: Balance Due Within One Year	<u>0</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 446,458</u></u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Jackson County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were \$38,371 and \$12,193, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**F. Short-term Debt**

On August 26, 2011, Jackson County issued tax anticipation notes of \$500,000 from the General Debt Service Fund, and on December 29, 2011, Jackson County issued tax anticipation notes of \$150,000 from the General Debt Service Fund in advance of property tax collections and deposited the proceeds in the General Fund. These funds were necessary because funds were not available to meet the current expenditures. These notes should have been retired by June 30, 2012; however, the notes remained unpaid as of June 30, 2013, and therefore have been reflected in the financial statements of this report as due from other funds in the General Debt Service Fund and as due to other funds in the General Fund.

Short-term debt activity for the year ended June 30, 2013, was as follows:

	Balance 7-1-12	Issued	Paid	Balance 6-30-13
Tax Anticipation Notes	\$ 650,000	\$ 0	\$ 0	\$ 650,000

## V. OTHER INFORMATION

### A. Risk Management

#### Primary Government

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

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

Jackson County does not provide health insurance for its employees.

#### Discretely Presented Jackson County School Department

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

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

### B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession*

*Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Jackson County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

**C. Subsequent Events**

On September 19, 2013, the county issued a \$100,000 capital outlay note for the Highway Department for road repairs.

On August 21, 2013, Mary Jo Matthews, County Clerk, was indicted by the Jackson County Grand Jury on one count of theft of property (\$1,000 - \$10,000) and one count of official misconduct. Ms. Matthews resigned from the office on November 4, 2013.

**D. Contingent Liabilities**

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

**E. Change in Administration**

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

**F. Joint Venture**

The Fifteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fifteenth Judicial District and participating municipalities in the district. The Fifteenth Judicial District includes Smith, Jackson, Trousdale, and Wilson counties. The DTF interlocal agreement was signed by the sheriffs of Smith County, Jackson County, Hartsville/Trousdale County Government, and the police chiefs of the cities of Carthage and Lafayette. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Jackson County made no contributions to the DTF for the year ended June 30, 2013, and does not have any equity interest in this joint venture. Complete financial statements for

the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

**G. 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.

**H. Retirement Commitments**

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

**Plan Description**

Employees of Jackson County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as 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.tn.gov/treasury/tcrs/PS/>.

**Funding Policy**

Jackson County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 7.12 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2013, the county’s annual pension cost of \$286,900 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$286,900	100%	\$0
6-30-12	302,175	100	0
6-30-11	281,806	100	0

## **Funded Status and Funding Progress**

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

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

## **SCHOOL TEACHERS**

### **Plan Description**

The Jackson County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee

Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 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, 2013, 2012, and 2011, were \$535,437, \$535,260, and \$531,598, respectively, equal to the required contributions for each year.

## **2. Deferred Compensation**

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

## **I. Other Postemployment Benefits (OPEB)**

### Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for teachers. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan

develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers. The required contribution rate for retirees ranges from 55 to 75 percent based on the years of service. During the year ended June 30, 2013, the discretely presented Jackson County School Department contributed \$44,421 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 147,000
Interest on the NOPEBO	13,789
Adjustment to the ARC	(14,637)
Annual OPEB cost	<hr/> \$ 146,152
Amount of contribution	(44,421)
Increase/decrease in NOPEBO	<hr/> \$ 101,731
Net OPEB obligation, 7-1-12	<hr/> 344,727
Net OPEB obligation, 6-30-13	<hr/> <hr/> \$ 446,458

Fiscal Year Ended	Plan	Annual OPEB Cost	of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>		<hr/>		<hr/>
6-30-11	Local Education Group	\$ 117,404	39%	\$ 241,765
6-30-12	"	144,406	29	344,727
6-30-13	"	146,152	30	446,458

Funded Status and Funding Progress

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

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

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

#### Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Education Group Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2007.

### **J. Purchasing Laws**

#### Office of County Mayor

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

#### Office of Road Superintendent

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

Uniform Road Law require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

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

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

**A. Organization**

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

**B. Summary of Significant Accounting Policies**

The district presents its financial statements on the accrual basis and the economic resources measurement focus.

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

<u>Assets</u>	<u>Estimated Useful Life Years</u>	<u>Depreciation Expense</u>
Other Capital Assets	5-12	\$ 18,005

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

Major Sources of Revenue

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

Budgeting, Budgetary Control, and Budgetary Reporting

An annual budget using the modified accrual basis of accounting is prepared and adopted each year. The budget for the year ended June 30, 2013, was approved by the board before the fiscal year began. Certain changes in expenditure allocations of the budget were addressed and approved by the board. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor or grantor, thus the board may reapply budgeted resources from one use to another without special approval for unrestricted funds.

**C. Cash and Investments**

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

The following is a schedule of cash accounts at June 30, 2013:

Checking	\$ 220,572
Petty Cash	<u>15</u>
Total Cash	<u><u>\$ 220,587</u></u>

At June 30, 2013, the carrying amount of the district’s cash deposits was \$220,587. The district’s deposit accounts are covered up to \$250,000 by the FDIC. The district is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *TCA*.

**D. Insurance Risk**

The district had bonds covering the chairman, vice-chairman, secretary, and treasurer totaling \$50,000 at June 30, 2013. The district also holds a workers’ compensation policy and a liability policy covering property theft, damage, and public liability. There have been no claims that exceeded coverage for any of the past three years.

**E. Capital Assets**

The following is a schedule of capital assets at June 30, 2013:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Other Capital Assets	\$ 756,858	\$ 113,825	\$ 0	\$ 870,683
Total Capital Assets Depreciated	<u>\$ 756,858</u>	<u>\$ 113,825</u>	<u>\$ 0</u>	<u>\$ 870,683</u>
Less Accumulated Depreciation For:				
Other Capital Assets	\$ 712,666	\$ 18,005	\$ 0	\$ 730,671
Total Accumulated Depreciation	<u>\$ 712,666</u>	<u>\$ 18,005</u>	<u>\$ 0</u>	<u>\$ 730,671</u>
Total Capital Assets Depreciated, Net	<u>\$ 44,192</u>	<u>\$ 95,820</u>	<u>\$ 0</u>	<u>\$ 140,012</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,192</u>	<u>\$ 95,820</u>	<u>\$ 0</u>	<u>\$ 140,012</u>

**F. Cash and Cash Equivalents**

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

**G. Long-term Liabilities**

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Notes
Balance, July 1, 2012	\$ 130,713
Reductions	<u>(4,841)</u>
Balance, June 30, 2013	<u>\$ 125,872</u>

**H. Compensated Absences**

There were no compensated absences payable at June 30, 2013.

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

Net Book Value	\$ 140,012
Less: Current and Noncurrent Debt	<u>(125,872)</u>
Invested in Net Assets, Net of Related Debt	<u><u>\$ 14,140</u></u>

**J. Budgetary Information**

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

**K. Subsequent Event**

The district has evaluated subsequent events through October 15, 2013, the date in which the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Jackson County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Jackson County School Department  
June 30, 2013

(Dollar amounts in thousands)

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

Exhibit E-2

Jackson County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Jackson County School Department  
June 30, 2013

(Dollar amounts in thousands)

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

**JACKSON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2013**

**BUDGETARY INFORMATION**

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

## Capital Projects Fund

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

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

Exhibit F-1

Jackson County, Tennessee  
 Combining Balance Sheet  
Nonmajor Governmental Funds  
 June 30, 2013

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitu- tional Officers - Fees</u>	<u>Total</u>	<u>Community Development/ Industrial Park</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 18,454	\$ 18,454	\$ 0	\$ 18,454
Equity in Pooled Cash and Investments	57,443	0	57,443	29,143	86,586
Accounts Receivable	0	918	918	0	918
<b>Total Assets</b>	<b>\$ 57,443</b>	<b>\$ 19,372</b>	<b>\$ 76,815</b>	<b>\$ 29,143</b>	<b>\$ 105,958</b>
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 19,372	\$ 19,372	\$ 0	\$ 19,372
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 19,372</b>	<b>\$ 19,372</b>	<b>\$ 0</b>	<b>\$ 19,372</b>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 57,443	\$ 0	\$ 57,443	\$ 0	\$ 57,443
Restricted for Capital Projects	0	0	0	2,216	2,216
Committed:					
Committed for Administration of Justice	0	0	0	940	940
Committed for Other Operations	0	0	0	25,987	25,987
<b>Total Fund Balances</b>	<b>\$ 57,443</b>	<b>\$ 0</b>	<b>\$ 57,443</b>	<b>\$ 29,143</b>	<b>\$ 86,586</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 57,443</b>	<b>\$ 19,372</b>	<b>\$ 76,815</b>	<b>\$ 29,143</b>	<b>\$ 105,958</b>

Exhibit F-2

Jackson County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2013

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park		
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 27,949	\$ 0	\$ 27,949	\$ 0	\$ 27,949	
Charges for Current Services	0	1,160	1,160	0	1,160	
Other Local Revenues	0	0	0	12,000	12,000	
Total Revenues	\$ 27,949	\$ 1,160	\$ 29,109	\$ 12,000	\$ 41,109	
<u>Expenditures</u>						
Current:						
General Government	\$ 0	\$ 0	\$ 0	\$ 6,809	\$ 6,809	
Administration of Justice	0	1,160	1,160	0	1,160	
Public Safety	4,054	0	4,054	0	4,054	
Other Operations	0	0	0	54,840	54,840	
Total Expenditures	\$ 4,054	\$ 1,160	\$ 5,214	\$ 61,649	\$ 66,863	
Excess (Deficiency) of Revenues Over Expenditures	\$ 23,895	\$ 0	\$ 23,895	\$ (49,649)	\$ (25,754)	
Net Change in Fund Balances Fund Balance, July 1, 2012	\$ 23,895	\$ 0	\$ 23,895	\$ (49,649)	\$ (25,754)	
	33,548	0	33,548	78,792	112,340	
Fund Balance, June 30, 2013	\$ 57,443	\$ 0	\$ 57,443	\$ 29,143	\$ 86,586	

Exhibit F-3

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 27,949	\$ 8,000	\$ 13,525	\$ 14,424
Total Revenues	\$ 27,949	\$ 8,000	\$ 13,525	\$ 14,424
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 4,054	\$ 33,365	\$ 38,890	\$ 34,836
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	0	2,000	2,000	2,000
Total Expenditures	\$ 4,054	\$ 35,365	\$ 40,890	\$ 36,836
Excess (Deficiency) of Revenues Over Expenditures	\$ 23,895	\$ (27,365)	\$ (27,365)	\$ 51,260
Net Change in Fund Balance	\$ 23,895	\$ (27,365)	\$ (27,365)	\$ 51,260
Fund Balance, July 1, 2012	33,548	33,537	33,537	11
Fund Balance, June 30, 2013	\$ 57,443	\$ 6,172	\$ 6,172	\$ 51,271

# Major Governmental Funds

## General Debt Service Fund

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

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Exhibit G

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 33,057	\$ 29,830	\$ 29,830	\$ 3,227
Other Local Revenues	8	0	0	8
State of Tennessee	350,000	350,000	350,000	0
Other Governments and Citizens Groups	490,078	0	490,078	0
Total Revenues	<u>\$ 873,143</u>	<u>\$ 379,830</u>	<u>\$ 869,908</u>	<u>\$ 3,235</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 734	\$ 8,000	\$ 8,000	\$ 7,266
<u>Principal on Debt</u>				
General Government	394,302	282,608	282,608	(111,694)
Education	405,000	0	405,000	0
<u>Interest on Debt</u>				
General Government	46,788	148,037	148,037	101,249
Education	30,828	0	30,828	0
<u>Other Debt Service</u>				
General Government	22,087	5,000	5,000	(17,087)
Education	54,250	0	54,250	0
Total Expenditures	<u>\$ 953,989</u>	<u>\$ 443,645</u>	<u>\$ 933,723</u>	<u>\$ (20,266)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (80,846)</u>	<u>\$ (63,815)</u>	<u>\$ (63,815)</u>	<u>\$ (17,031)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 130,000	\$ 130,000	\$ (130,000)
Total Other Financing Sources	<u>\$ 0</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ (130,000)</u>
Net Change in Fund Balance	\$ (80,846)	\$ 66,185	\$ 66,185	\$ (147,031)
Prior Period Adjustment	(492,796)	0	0	(492,796)
Fund Balance, July 1, 2012	<u>1,502,693</u>	<u>393,174</u>	<u>393,174</u>	<u>1,109,519</u>
Fund Balance, June 30, 2013	<u>\$ 929,051</u>	<u>\$ 459,359</u>	<u>\$ 459,359</u>	<u>\$ 469,692</u>

# Fiduciary Funds

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

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

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

Exhibit H-1

Jackson County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 337,697	\$ 337,697
Due from Other Governments	42,671	0	42,671
Total Assets	<u>\$ 42,671</u>	<u>\$ 337,697</u>	<u>\$ 380,368</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 42,671	\$ 0	\$ 42,671
Due to Litigants, Heirs, and Others	0	337,697	337,697
Total Liabilities	<u>\$ 42,671</u>	<u>\$ 337,697</u>	<u>\$ 380,368</u>

Exhibit H-2

Jackson County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 265,451	\$ 265,451	\$ 0
Due from Other Governments	42,921	42,671	42,921	42,671
Total Assets	\$ 42,921	\$ 308,122	\$ 308,372	\$ 42,671
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 42,921	\$ 308,122	\$ 308,372	\$ 42,671
Total Liabilities	\$ 42,921	\$ 308,122	\$ 308,372	\$ 42,671
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 852,407	\$ 3,099,187	\$ 3,613,897	\$ 337,697
Total Assets	\$ 852,407	\$ 3,099,187	\$ 3,613,897	\$ 337,697
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 852,407	\$ 3,099,187	\$ 3,613,897	\$ 337,697
Total Liabilities	\$ 852,407	\$ 3,099,187	\$ 3,613,897	\$ 337,697
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 852,407	\$ 3,099,187	\$ 3,613,897	\$ 337,697
Equity in Pooled Cash and Investments	0	265,451	265,451	0
Due from Other Governments	42,921	42,671	42,921	42,671
Total Assets	\$ 895,328	\$ 3,407,309	\$ 3,922,269	\$ 380,368
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 42,921	\$ 308,122	\$ 308,372	\$ 42,671
Due to Litigants, Heirs, and Others	852,407	3,099,187	3,613,897	337,697
Total Liabilities	\$ 895,328	\$ 3,407,309	\$ 3,922,269	\$ 380,368

# Jackson County School Department

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

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

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

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

Exhibit I-1

Jackson County, Tennessee  
Statement of Activities  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 7,883,564	\$ 27,646	\$ 1,026,708	\$ (6,829,210)
Support Services	4,528,901	33,485	262,092	(4,233,324)
Operation of Non-Instructional Services	1,352,678	185,590	850,801	(316,287)
Interest on Long-term Debt	31,429	0	0	(31,429)
Other Debt Service	74,570	0	0	(74,570)
<b>Total Governmental Activities</b>	<b>\$ 13,871,142</b>	<b>\$ 246,721</b>	<b>\$ 2,139,601</b>	<b>\$ (11,484,820)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 1,703,286
Local Option Sales Taxes				524,684
Wheel Tax				158,797
Other Local Taxes				1,265
Grants and Contributions Not Restricted to Specific Programs				9,321,155
Unrestricted Investment Earnings				2,020
Miscellaneous				37,876
Gain on the Disposal of Capital Assets				35,950
<b>Total General Revenues</b>				<b>\$ 11,785,033</b>
<b>Change in Net Position</b>				<b>\$ 300,213</b>
<b>Net Position, July 1, 2012</b>				<b>10,470,246</b>
<b>Net Position, June 30, 2013</b>				<b>\$ 10,770,459</b>

Exhibit I-2

Jackson County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Jackson County School Department  
June 30, 2013

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 6,474,650	\$ 163,496	\$ 357,511	\$ 6,995,657
Inventories	0	0	21,282	21,282
Accounts Receivable	3,001	0	0	3,001
Due from Other Governments	208,911	44,954	6,834	260,699
Property Taxes Receivable	1,845,293	0	0	1,845,293
Allowance for Uncollectible Property Taxes	(67,755)	0	0	(67,755)
<b>Total Assets</b>	<b>\$ 8,464,100</b>	<b>\$ 208,450</b>	<b>\$ 385,627</b>	<b>\$ 9,058,177</b>
<u>LIABILITIES</u>				
Accrued Payroll	\$ 130	\$ 4,100	\$ 0	\$ 4,230
Payroll Deductions Payable	148,440	15,138	0	163,578
Due to State of Tennessee	6,489	0	0	6,489
<b>Total Liabilities</b>	<b>\$ 155,059</b>	<b>\$ 19,238</b>	<b>\$ 0</b>	<b>\$ 174,297</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 1,683,562	\$ 0	\$ 0	\$ 1,683,562
Deferred Delinquent Property Taxes	90,397	0	0	90,397
Other Deferred/Unavailable Revenue	50,409	0	0	50,409
<b>Total Deferred Inflows of Resources</b>	<b>\$ 1,824,368</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,824,368</b>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	\$ 0	\$ 0	\$ 21,282	\$ 21,282
Restricted:				
Restricted for Education	2,207	64,212	364,345	430,764
Committed:				
Committed for Education	4,745,238	125,000	0	4,870,238
Assigned:				
Assigned for Education	216,434	0	0	216,434
Unassigned	1,520,794	0	0	1,520,794
<b>Total Fund Balances</b>	<b>\$ 6,484,673</b>	<b>\$ 189,212</b>	<b>\$ 385,627</b>	<b>\$ 7,059,512</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,464,100</b>	<b>\$ 208,450</b>	<b>\$ 385,627</b>	<b>\$ 9,058,177</b>

Exhibit I-3

Jackson County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
Discretely Presented Jackson County School Department  
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 7,059,512	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 173,608		
Add: buildings and improvements net of accumulated depreciation	10,761,956		
Add: other capital assets net of accumulated depreciation	<u>747,034</u>	11,682,598	
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loans payable on primary government debt	\$ (7,666,000)		
Less: other postemployment benefits liabilities	<u>(446,458)</u>	(8,112,458)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
Add: other deferred revenues		<u>140,807</u>	
Net position of governmental activities (Exhibit A)			<u><u>\$ 10,770,459</u></u>

Exhibit I-4

Jackson County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2013

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Fund Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,389,765	\$ 0	\$ 0	\$ 2,389,765
Licenses and Permits	653	0	0	653
Charges for Current Services	61,131	0	184,390	245,521
Other Local Revenues	106,053	0	2,020	108,073
State of Tennessee	9,053,430	0	0	9,053,430
Federal Government	183,966	1,319,246	811,878	2,315,090
Other Governments and Citizens Groups	54,500	0	0	54,500
Total Revenues	<u>\$ 11,849,498</u>	<u>\$ 1,319,246</u>	<u>\$ 998,288</u>	<u>\$ 14,167,032</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 6,265,273	\$ 1,069,736	\$ 0	\$ 7,335,009
Support Services	4,264,446	294,968	0	4,559,414
Operation of Non-Instructional Services	441,874	0	910,804	1,352,678
Capital Outlay	174,212	0	0	174,212
Debt Service:				
Principal on Debt	405,000	0	0	405,000
Interest on Debt	31,429	0	0	31,429
Other Debt Service	53,649	0	0	53,649
Total Expenditures	<u>\$ 11,635,883</u>	<u>\$ 1,364,704</u>	<u>\$ 910,804</u>	<u>\$ 13,911,391</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 213,615	\$ (45,458)	\$ 87,484	\$ 255,641
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 86,370	\$ 0	\$ 0	\$ 86,370
Transfers Out	0	(26,370)	(60,000)	(86,370)
Total Other Financing Sources (Uses)	<u>\$ 86,370</u>	<u>\$ (26,370)</u>	<u>\$ (60,000)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 299,985	\$ (71,828)	\$ 27,484	\$ 255,641
Fund Balance, July 1, 2012	6,184,688	261,040	358,143	6,803,871
Fund Balance, June 30, 2013	<u>\$ 6,484,673</u>	<u>\$ 189,212</u>	<u>\$ 385,627</u>	<u>\$ 7,059,512</u>

Exhibit I-5

Jackson County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	255,641
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	150,000	
Less: current-year depreciation expense		<u>(392,099)</u>	(242,099)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Add: gain on disposal of capital assets	\$	35,950	
Less: proceeds from the sale of capital assets		<u>(36,000)</u>	(50)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$	140,807	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(136,434)</u>	4,373
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal payments on other loans for primary government	\$	405,000	
Less: deferred charges - debt issuance costs		<u>(20,921)</u>	384,079
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liabilities			<u>(101,731)</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>300,213</u></u>

Exhibit I-6

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Jackson County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<b>Revenues</b>							
Local Taxes	\$ 2,389,765	\$ 0	\$ 0	\$ 2,389,765	\$ 2,409,100	\$ 2,409,100	\$ (19,335)
Licenses and Permits	653	0	0	653	900	900	(247)
Charges for Current Services	61,131	0	0	61,131	57,100	57,100	4,031
Other Local Revenues	106,053	0	0	106,053	48,000	60,770	45,283
State of Tennessee	9,053,430	0	0	9,053,430	8,742,897	8,793,461	259,969
Federal Government	183,966	0	0	183,966	192,146	196,146	(12,180)
Other Governments and Citizens Groups	54,500	0	0	54,500	0	54,500	0
<b>Total Revenues</b>	<b>\$ 11,849,498</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 11,849,498</b>	<b>\$ 11,450,143</b>	<b>\$ 11,571,977</b>	<b>\$ 277,521</b>
<b>Expenditures</b>							
<b>Instruction</b>							
Regular Instruction Program	\$ 4,989,559	\$ (5,426)	\$ 855	\$ 4,984,988	\$ 5,481,610	\$ 5,486,837	\$ 501,849
Alternative Instruction Program	130,781	0	0	130,781	138,431	138,431	7,650
Special Education Program	648,272	0	0	648,272	775,381	775,381	127,109
Vocational Education Program	446,970	0	0	446,970	518,196	518,196	71,226
Adult Education Program	49,691	(36)	0	49,655	49,655	49,655	0
<b>Support Services</b>							
Attendance	98,371	0	0	98,371	126,016	126,016	27,645
Health Services	175,766	0	1,000	176,766	184,616	184,615	7,849
Other Student Support	275,015	0	0	275,015	290,317	299,717	24,702
Regular Instruction Program	334,848	0	0	334,848	461,050	459,169	124,321
Special Education Program	130,699	0	0	130,699	146,663	146,663	15,964
Vocational Education Program	14,326	0	0	14,326	15,997	15,997	1,671
Adult Programs	24,624	0	0	24,624	21,390	28,090	3,466
Other Programs	50,564	0	0	50,564	0	50,564	0
Board of Education	312,614	0	4,000	316,614	326,011	326,011	9,397
Director of Schools	112,020	0	0	112,020	122,920	122,920	10,900
Office of the Principal	590,236	0	0	590,236	664,093	664,093	73,857

(Continued)

Exhibit I-6

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Fiscal Services	\$ 213,444	\$ (7,379)	\$ 2,810	\$ 208,875	\$ 234,756	\$ 234,756	\$ 25,881
Operation of Plant	828,121	(15,000)	17,151	830,272	957,120	957,120	126,848
Maintenance of Plant	215,864	(17,359)	1,500	200,005	242,649	242,649	42,644
Transportation	887,934	(2,381)	0	885,553	955,741	955,741	70,188
<u>Operation of Non-Instructional Services</u>							
Food Service	72,714	0	0	72,714	76,808	76,808	4,094
Community Services	53,974	0	0	53,974	56,107	56,107	2,133
Early Childhood Education	315,186	0	0	315,186	315,186	315,186	0
<u>Capital Outlay</u>							
Regular Capital Outlay	174,212	(106,450)	189,118	256,880	500,000	500,000	243,120
<u>Principal on Debt</u>							
Education	405,000	0	0	405,000	405,000	405,000	0
Education	31,429	0	0	31,429	133,000	133,000	101,571
<u>Other Debt Service</u>							
Education	53,649	0	0	53,649	87,400	87,400	33,751
<u>Total Expenditures</u>	<u>\$ 11,635,883</u>	<u>\$ (154,031)</u>	<u>\$ 216,434</u>	<u>\$ 11,698,286</u>	<u>\$ 13,286,113</u>	<u>\$ 13,356,122</u>	<u>\$ 1,657,836</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 213,615	\$ 154,031	\$ (216,434)	\$ 151,212	\$ (1,835,970)	\$ (1,784,145)	\$ 1,935,357
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 86,370	\$ 0	\$ 0	\$ 86,370	\$ 134,000	\$ 69,430	\$ 16,940
Transfers Out	0	0	0	0	(12,747)	0	0
<u>Total Other Financing Sources</u>	<u>\$ 86,370</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 86,370</u>	<u>\$ 121,253</u>	<u>\$ 69,430</u>	<u>\$ 16,940</u>
<u>Net Change in Fund Balance</u> <u>Fund Balance, July 1, 2012</u>	<u>\$ 299,985</u>	<u>\$ 154,031</u>	<u>\$ (216,434)</u>	<u>\$ 237,582</u>	<u>\$ (1,714,717)</u>	<u>\$ (1,714,715)</u>	<u>\$ 1,952,297</u>
<u>Fund Balance, July 1, 2012</u>	<u>6,184,688</u>	<u>(154,031)</u>	<u>0</u>	<u>6,030,657</u>	<u>5,257,386</u>	<u>5,257,386</u>	<u>773,271</u>
<u>Fund Balance, June 30, 2013</u>	<u>\$ 6,484,673</u>	<u>\$ 0</u>	<u>\$ (216,434)</u>	<u>\$ 6,268,239</u>	<u>\$ 3,542,669</u>	<u>\$ 3,542,671</u>	<u>\$ 2,725,568</u>

Exhibit I-7

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Jackson County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,319,246	\$ 0	\$ 1,319,246	\$ 2,312,714	\$ 2,328,965	\$ (1,009,719)
Total Revenues	\$ 1,319,246	\$ 0	\$ 1,319,246	\$ 2,312,714	\$ 2,328,965	\$ (1,009,719)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 575,335	\$ (20,119)	\$ 555,216	\$ 788,451	\$ 800,202	\$ 244,986
Special Education Program	463,202	0	463,202	864,665	863,747	400,545
Vocational Education Program	31,199	0	31,199	29,228	31,199	0
<u>Support Services</u>						
Other Student Support	13,804	0	13,804	30,874	29,663	15,859
Regular Instruction Program	232,672	(210)	232,462	358,738	365,570	133,108
Special Education Program	37,224	0	37,224	102,300	103,257	66,033
Vocational Education Program	440	0	440	1,200	440	0
Office of the Principal	0	0	0	4,662	2,331	2,331
Transportation	10,828	0	10,828	17,939	17,939	7,111
Total Expenditures	\$ 1,364,704	\$ (20,329)	\$ 1,344,375	\$ 2,198,057	\$ 2,214,348	\$ 869,973
Excess (Deficiency) of Revenues Over Expenditures	\$ (45,458)	\$ 20,329	\$ (25,129)	\$ 114,657	\$ 114,617	\$ (139,746)
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (26,370)	\$ 0	\$ (26,370)	\$ (114,657)	\$ (114,617)	\$ 88,247
Total Other Financing Sources	\$ (26,370)	\$ 0	\$ (26,370)	\$ (114,657)	\$ (114,617)	\$ 88,247
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (71,828)	\$ 20,329	\$ (51,499)	\$ 0	\$ 0	\$ (51,499)
Fund Balance, July 1, 2012	261,040	(20,329)	240,711	0	0	240,711
Fund Balance, June 30, 2013	\$ 189,212	\$ 0	\$ 189,212	\$ 0	\$ 0	\$ 189,212

Exhibit I-8

Jackson County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Jackson County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 184,390	\$ 284,000	\$ 284,000	\$ (99,610)
Other Local Revenues	2,020	1,000	1,000	1,020
Federal Government	811,878	845,000	845,000	(33,122)
Total Revenues	<u>\$ 998,288</u>	<u>\$ 1,130,000</u>	<u>\$ 1,130,000</u>	<u>\$ (131,712)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 910,804	\$ 1,107,438	\$ 1,107,438	\$ 196,634
Total Expenditures	<u>\$ 910,804</u>	<u>\$ 1,107,438</u>	<u>\$ 1,107,438</u>	<u>\$ 196,634</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 87,484</u>	<u>\$ 22,562</u>	<u>\$ 22,562</u>	<u>\$ 64,922</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (60,000)	\$ (65,000)	\$ (65,000)	\$ 5,000
Total Other Financing Sources	<u>\$ (60,000)</u>	<u>\$ (65,000)</u>	<u>\$ (65,000)</u>	<u>\$ 5,000</u>
Net Change in Fund Balance	\$ 27,484	\$ (42,438)	\$ (42,438)	\$ 69,922
Fund Balance, July 1, 2012	<u>358,143</u>	<u>42,438</u>	<u>42,438</u>	<u>315,705</u>
Fund Balance, June 30, 2013	<u>\$ 385,627</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 385,627</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Jackson County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured	
							Outstanding 6-30-13	During Period
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction	\$ 300,000	3.39 %	3-1-07	3-1-16	\$ 133,334	\$ 0	\$ 33,334	\$ 100,000
Garbage Truck	208,891	3.75	10-22-09	10-22-14	129,912	0	41,731	88,181
Ambulance	104,500	3.39	3-29-10	3-29-13	36,001	0	36,001	0
Sheriff's Department Vehicles	195,218	3.69	6-2-11	6-2-15	149,034	0	47,888	101,146
Ambulances	170,000	3.69	8-19-11	8-19-15	170,000	0	40,219	129,781
Courthouse Stone Repairs	85,000	3	10-6-11	10-6-14	85,000	0	27,072	57,928
Blackburn Fork Road Slide Repair	85,000	2.49	10-15-12	10-15-16	0	85,000	0	85,000
<b>Total Payable through General Debt Service Fund</b>					<b>\$ 703,281</b>	<b>\$ 85,000</b>	<b>\$ 226,245</b>	<b>\$ 562,036</b>
<u>Payable through Highway/Public Works Fund</u>								
Street and Road Improvements	150,000	4	7-13-09	7-13-14	\$ 93,500	\$ 0	\$ 29,956	\$ 63,544
Street and Road Improvements	100,000	3.38	6-17-10	6-17-14	51,648	0	25,408	26,240
Backhoe	49,950	3.19	11-5-10	11-5-14	37,462	0	12,488	24,974
Grader Rebuild	100,000	2.49	12-30-11	12-29-15	100,000	0	24,085	75,915
<b>Total Payable through Highway/Public Works Fund</b>					<b>\$ 282,610</b>	<b>\$ 0</b>	<b>\$ 91,937</b>	<b>\$ 190,673</b>
<b>Total Notes Payable</b>					<b>\$ 985,891</b>	<b>\$ 85,000</b>	<b>\$ 318,182</b>	<b>\$ 752,709</b>
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Jail Construction	3,500,000	Variable	8-9-04	5-25-29	\$ 2,721,000	\$ 0	\$ 125,000	\$ 2,596,000
Jail Construction	1,200,000	Variable	10-23-06	5-25-31	1,051,000	0	34,000	1,017,000
<b>Total Payable through General Debt Service Fund</b>					<b>\$ 3,772,000</b>	<b>\$ 0</b>	<b>\$ 159,000</b>	<b>\$ 3,613,000</b>
<u>Payable by School Department Contributions from the General Purpose School Fund to the General Debt Service Fund</u>								
School Construction	6,300,000	Variable	3-5-01	5-25-29	\$ 4,906,000	\$ 0	\$ 190,000	\$ 4,716,000
Refunding/School Construction	3,765,000	Variable	12-15-09	5-25-29	3,165,000	0	215,000	2,950,000
<b>Total Payable through General Purpose School Fund</b>					<b>\$ 8,071,000</b>	<b>\$ 0</b>	<b>\$ 405,000</b>	<b>\$ 7,666,000</b>
<b>Total Other Loans Payable</b>					<b>\$ 11,843,000</b>	<b>\$ 0</b>	<b>\$ 564,000</b>	<b>\$ 11,279,000</b>

(Continued)

Exhibit J-1

Jackson County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-13
<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	\$ 17,600	\$ 0	\$ 5,700	\$ 11,900
Public Works (F.H.A.)	26,000	5	4-28-1978	1-1-18	7,500	0	1,000	6,500
Health Department (USDA)	194,600	4	2-22-11	2-22-49	192,334	0	2,357	189,977
Total Bonds Payable					\$ 217,434	\$ 0	\$ 9,057	\$ 208,377

Exhibit J-2

Jackson County, Tennessee  
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 311,723	\$ 24,264	\$ 335,987
2015	294,386	13,836	308,222
2016	125,350	3,985	129,335
2017	21,250	529	21,779
Total	\$ 752,709	\$ 42,614	\$ 795,323

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 599,000	\$ 35,688	\$ 77,273	\$ 711,961
2015	620,000	33,798	73,387	727,185
2016	652,000	31,842	69,362	753,204
2017	674,000	29,785	65,130	768,915
2018	696,000	27,659	60,756	784,415
2019	729,000	25,464	56,240	810,704
2020	589,000	23,165	51,508	663,673
2021	617,000	21,298	47,686	685,984
2022	644,000	19,344	43,683	707,027
2023	671,000	17,305	39,504	727,809
2024	702,000	15,180	35,151	752,331
2025	731,000	12,956	30,596	774,552
2026	761,000	10,642	25,853	797,495
2027	788,000	8,235	20,915	817,150
2028	817,000	5,740	15,801	838,541
2029	827,000	3,153	10,500	840,653
2030	79,000	535	2,073	81,608
2031	83,000	274	1,560	84,834
Total	\$ 11,279,000	\$ 322,063	\$ 726,978	\$ 12,328,041

(Continued)

Exhibit J-2

Jackson County, Tennessee  
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 9,351	\$ 8,529	\$ 17,880
2015	9,549	8,096	17,645
2016	4,151	7,624	11,775
2017	4,257	7,443	11,700
2018	4,367	7,258	11,625
2019	2,982	7,068	10,050
2020	3,101	6,949	10,050
2021	3,225	6,825	10,050
2022	3,354	6,696	10,050
2023	3,488	6,562	10,050
2024	3,628	6,422	10,050
2025	3,773	6,277	10,050
2026	3,924	6,126	10,050
2027	4,081	5,969	10,050
2028	4,244	5,806	10,050
2029	4,414	5,636	10,050
2030	4,590	5,460	10,050
2031	4,774	5,276	10,050
2032	4,965	5,085	10,050
2033	5,164	4,886	10,050
2034	5,370	4,680	10,050
2035	5,585	4,465	10,050
2036	5,808	4,242	10,050
2037	6,041	4,009	10,050
2038	6,282	3,768	10,050
2039	6,534	3,516	10,050
2040	6,795	3,255	10,050
2041	7,067	2,983	10,050
2042	7,349	2,701	10,050
2043	7,643	2,407	10,050
2044	7,949	2,101	10,050
2045	8,267	1,783	10,050
2046	8,598	1,452	10,050
2047	8,942	1,108	10,050
2048	9,299	751	10,050
2049	9,466	584	10,050
Total	\$ 208,377	\$ 173,798	\$ 382,175

Exhibit J-3

Jackson County, Tennessee  
Schedule of Transfers  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects Central Cafeteria	General Purpose School "	Indirect costs Supervisor's salary	\$ 26,370 <u>60,000</u>
Total Transfers Discretely Presented Jackson County School Department			<u>\$ 86,370</u>

Exhibit J-4

Jackson County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 64,053	\$ 25,000	Western Surety Company
Road Superintendent	Section 8-24-102, TCA, and Jackson County Commission	63,343 (1)	100,000	"
Director of Schools	State Board of Education and Jackson County Board of Education	77,524 (2)	(5)	"
Trustee	Section 8-24-102, TCA	55,457	525,400	"
Assessor of Property:				
Kimberly Crabtree (7-1-12 through 8-31-12)	Section 8-24-102, TCA	11,091	10,000	"
Timmy Bowman (9-1-12 through 6-30-13)	Section 8-24-102, TCA	44,366	50,000	"
County Clerk	Section 8-24-102, TCA	55,457	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	55,457	25,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	55,457 (3)	25,000	"
Register of Deeds	Section 8-24-102, TCA	55,457	15,000	"
Sheriff	Section 8-24-102, TCA	61,029 (4)	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) Includes an additional appropriation of \$4,780.
- (2) Includes a chief executive officer's supplement of \$1,000.
- (3) Does not include special commissioner fees of \$1,160.
- (4) Does not include a law enforcement training supplement of \$600.
- (5) The director of schools is covered by the \$150,000 employee blanket bond.

Exhibit J-5

Jackson County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2013

	Special Revenue Funds					Debt Service Fund			Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General	Debt Service	Community Development/ Industrial Park	Fund	
<b>Local Taxes</b>										
<b>County Property Taxes</b>										
Current Property Tax	\$ 2,135,576	\$ 438,001	\$ 0	\$ 0	\$ 166,604	\$ 30,191	\$ 0	\$ 0	\$ 2,770,372	
Trustee's Collections - Prior Year	90,917	17,841	0	0	6,847	1,427	0	0	117,032	
Trustee's Collections - Bankruptcy	424	78	0	0	36	3	0	0	541	
Circuit/Clerk & Master Collections - Prior Years	67,976	11,256	0	0	4,849	618	0	0	84,689	
Interest and Penalty	34,012	6,384	0	0	2,798	394	0	0	43,588	
Pick-up Taxes	19	4	0	0	2	0	0	0	25	
Payments in-Lieu-of Taxes - T.V.A.	94,871	0	0	0	0	0	0	0	94,871	
Payments in-Lieu-of Taxes - Other	21,926	4,418	0	0	1,676	304	0	0	28,324	
<b>County Local Option Taxes</b>										
Local Option Sales Tax	151,541	0	0	0	0	0	0	0	151,541	
Wheel Tax	264,663	0	0	0	0	0	0	0	264,663	
Litigation Tax - General	18,903	0	0	0	0	0	0	0	18,903	
Litigation Tax - Jail, Workhouse, or Courthouse	7,075	0	0	0	0	0	0	0	7,075	
Business Tax	26,874	0	0	0	0	0	0	0	26,874	
Mineral Severance Tax	0	0	0	0	26,257	0	0	0	26,257	
<b>Statutory Local Taxes</b>										
Bank Excise Tax	8,441	1,736	0	0	658	0	0	0	10,835	
Wholesale Beer Tax	75,087	0	0	0	0	120	0	0	75,207	
Beer Privilege Tax	665	0	0	0	0	0	0	0	665	
Interstate Telecommunications Tax	1,129	0	0	0	0	0	0	0	1,129	
<b>Total Local Taxes</b>	\$ 3,000,099	\$ 479,718	\$ 0	\$ 0	\$ 209,727	\$ 33,057	\$ 0	\$ 0	\$ 3,722,601	
<b>Licenses and Permits</b>										
<b>Licenses</b>										
Marriage Licenses	\$ 66	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66	
<b>Permits</b>										
Beer Permits	332	0	0	0	0	0	0	0	332	
<b>Total Licenses and Permits</b>	\$ 398	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 398	
<b>Fines, Forfeitures, and Penalties</b>										
<b>Circuit Court</b>										
Fines	\$ 332	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 332	
Officers Costs	1,278	0	0	0	0	0	0	0	1,278	
DUI Treatment Fines	332	0	0	0	0	0	0	0	332	
Data Entry Fee - Circuit Court	2,086	0	0	0	0	0	0	0	2,086	
Courtroom Security Fee	23	0	0	0	0	0	0	0	23	

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development / Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>General Sessions Court</u>								
Fines	\$ 11,805	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,805
Officers Costs	13,451	0	0	0	0	0	0	13,451
Game and Fish Fines	116	0	0	0	0	0	0	116
Drug Control Fines	0	0	11,302	0	0	0	0	11,302
DUI Treatment Fines	2,090	0	522	0	0	0	0	2,612
Data Entry Fee - General Sessions Court	3,196	0	0	0	0	0	0	3,196
Courtroom Security Fee	12	0	0	0	0	0	0	12
<u>Juvenile Court</u>								
Fines	397	0	0	0	0	0	0	397
<u>Chancery Court</u>								
Officers Costs	32	0	0	0	0	0	0	32
Data Entry Fee - Chancery Court	793	0	0	0	0	0	0	793
<u>Other Courts - In-county</u>								
Officers Costs	2	0	0	0	0	0	0	2
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	16,125	0	0	0	0	16,125
Total Fines, Forfeitures, and Penalties	\$ 35,945	\$ 0	\$ 27,949	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,894
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 622,799	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	622,799
<u>Fees</u>								
Copy Fees	2,419	0	0	0	0	0	0	2,419
Library Fees	1,352	0	0	0	0	0	0	1,352
Archives and Records Management Fee - County Clerk	150	0	0	0	0	0	0	150
Telephone Commissions	14,766	0	0	0	0	0	0	14,766
Special Commissioner Fees/Special Master Fees	0	0	0	1,160	0	0	0	1,160
Data Processing Fee - Register	4,088	0	0	0	0	0	0	4,088
Sexual Offender Registration Fees - Sheriff	450	0	0	0	0	0	0	450
<u>Education Charges</u>								
Tuition - Other	36,654	0	0	0	0	0	0	36,654
Total Charges for Current Services	\$ 682,678	\$ 0	\$ 0	\$ 1,160	\$ 0	\$ 0	\$ 0	\$ 683,838
<u>Other Local Revenues</u>								
Recurring Items	\$ 61,467	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	61,467
Investment Income								

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service Fund		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development / Industrial Park	
<b>Other Local Revenues (Cont.)</b>								
<u>Recurring Items (Cont.)</u>								
Lease/Rentals	\$ 12,217	\$ 92	\$ 0	\$ 0	\$ 0	\$ 8	\$ 12,000	\$ 24,317
Sale of Materials and Supplies	22,858	364	0	0	2,540	0	0	25,762
Commissary Sales	18,191	0	0	0	0	0	0	18,191
Sale of Gasoline	3,598	0	0	0	91,640	0	0	95,238
Miscellaneous Refunds	44,726	845	0	0	1,640	0	0	47,211
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	0	0	14,510	0	0	14,510
Sale of Property	8,605	0	0	0	0	0	0	8,605
Contributions and Gifts	4,207	0	0	0	0	0	0	4,207
<u>Other Local Revenues</u>								
Other Local Revenues	3,515	9,359	0	0	0	0	0	12,874
Total Other Local Revenues	\$ 179,384	\$ 10,660	\$ 0	\$ 0	\$ 110,330	\$ 8	\$ 12,000	\$ 312,382
<u>Fees Received from County Officials</u>								
Fees in-Lieu-of Salary								
County Clerk	\$ 80,521	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 80,521
Circuit Court Clerk	16,191	0	0	0	0	0	0	16,191
General Sessions Court Clerk	55,097	0	0	0	0	0	0	55,097
Clerk and Master	35,221	0	0	0	0	0	0	35,221
Register	43,413	0	0	0	0	0	0	43,413
Sheriff	4,982	0	0	0	0	0	0	4,982
Trustee	154,516	0	0	0	0	0	0	154,516
Total Fees Received from County Officials	\$ 389,941	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 389,941
<u>State of Tennessee</u>								
General Government Grants								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	6,354	0	0	0	0	0	0	6,354
Solid Waste Grants	0	4,000	0	0	0	0	0	4,000
Other General Government Grants	1,376	0	0	0	0	0	0	1,376
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	6,600	0	0	0	0	0	0	6,600
Health and Welfare Grants								
Health Department Programs	5,926	0	0	0	0	0	0	5,926
<u>Public Works Grants</u>								
Bridge Program	0	0	0	0	907,713	0	0	907,713

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park		
<u>State of Tennessee (Cont.)</u>									
<u>Public Works Grants (Cont.)</u>									
State Aid Program	0	0	0	0	70,000	0	0	0	70,000
Litter Program	22,130	0	0	0	0	0	0	0	22,130
<u>Other State Revenues</u>									
Income Tax	9,053	0	0	0	0	0	0	0	9,053
Beer Tax	25,865	0	0	0	0	0	0	0	25,865
Alcoholic Beverage Tax	21,131	0	0	0	0	0	0	0	21,131
State Revenue Sharing - T.V.A.	284,612	0	0	0	0	0	0	0	284,612
Contracted Prisoner Boarding	436,517	0	0	0	0	350,000	0	0	786,517
Gasoline and Motor Fuel Tax	0	0	0	0	1,384,744	0	0	0	1,384,744
Petroleum Special Tax	0	0	0	0	8,397	0	0	0	8,397
Registrar's Salary Supplement	11,373	0	0	0	0	0	0	0	11,373
Other State Grants	71,623	0	0	0	124,251	0	0	0	195,874
Total State of Tennessee	911,560	4,000	0	0	2,495,105	350,000	0	0	3,760,665
<u>Federal Government</u>									
<u>Federal Through State</u>									
Community Development	299,160	0	0	0	0	0	0	0	299,160
Disaster Relief	0	0	0	0	559,374	0	0	0	559,374
Other Federal through State	151,320	0	0	0	4,434	0	0	0	155,754
<u>Direct Federal Revenue</u>									
Police Service (Lake Area)	22,539	0	0	0	0	0	0	0	22,539
Other Direct Federal Revenue	221,372	0	0	0	0	0	0	0	221,372
Total Federal Government	694,391	0	0	0	563,808	0	0	0	1,258,199
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Prisoner Board	180,950	0	0	0	0	0	0	0	180,950
Contributions	60,000	0	0	0	0	490,078	0	0	550,078
<u>Citizens Groups</u>									
Donations	100	0	0	0	0	0	0	0	100
Total Other Governments and Citizens Groups	241,050	0	0	0	0	490,078	0	0	731,128
Total	6,135,446	494,378	27,949	1,160	3,378,970	873,143	12,000	0	10,923,046

## Exhibit J-6

Jackson County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Jackson County School Department  
 For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,541,306	\$ 0	\$ 0	\$ 1,541,306
Trustee's Collections - Prior Year	74,440	0	0	74,440
Trustee's Collections - Bankruptcy	330	0	0	330
Circuit/Clerk & Master Collections - Prior Years	44,428	0	0	44,428
Interest and Penalty	26,491	0	0	26,491
Pick-up Taxes	14	0	0	14
Payments in-Lieu-of Taxes - Other	15,538	0	0	15,538
<u>County Local Option Taxes</u>				
Local Option Sales Tax	521,098	0	0	521,098
Wheel Tax	158,797	0	0	158,797
Other County Local Option Taxes	225	0	0	225
<u>Statutory Local Taxes</u>				
Bank Excise Tax	6,106	0	0	6,106
Interstate Telecommunications Tax	992	0	0	992
Total Local Taxes	\$ 2,389,765	\$ 0	\$ 0	\$ 2,389,765
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 653	\$ 0	\$ 0	\$ 653
Total Licenses and Permits	\$ 653	\$ 0	\$ 0	\$ 653
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 124,763	\$ 124,763
Lunch Payments - Adults	0	0	28,516	28,516
A la carte Sales	0	0	31,111	31,111
Contract for Instructional Services with Other LEAs	33,485	0	0	33,485
Receipts from Individual Schools	27,646	0	0	27,646
Total Charges for Current Services	\$ 61,131	\$ 0	\$ 184,390	\$ 245,521
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 2,020	\$ 2,020
Lease/Rentals	1,200	0	0	1,200
Refund of Telecommunication and Internet Fees (E-Rate)	28,182	0	0	28,182
Miscellaneous Refunds	34,508	0	0	34,508
<u>Nonrecurring Items</u>				
Sale of Equipment	3,218	0	0	3,218
Sale of Property	36,000	0	0	36,000
Damages Recovered from Individuals	150	0	0	150
Contributions and Gifts	2,795	0	0	2,795
Total Other Local Revenues	\$ 106,053	\$ 0	\$ 2,020	\$ 108,073

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Total
		School Federal Projects	Central Cafeteria	
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 50,564	\$ 0	\$ 0	\$ 50,564
<u>State Education Funds</u>				
Basic Education Program	8,434,545	0	0	8,434,545
Early Childhood Education	315,186	0	0	315,186
School Food Service	9,311	0	0	9,311
Other State Education Funds	133,655	0	0	133,655
Career Ladder Program	70,957	0	0	70,957
Career Ladder - Extended Contract	9,600	0	0	9,600
<u>Other State Revenues</u>				
Other State Grants	29,612	0	0	29,612
Total State of Tennessee	\$ 9,053,430	\$ 0	\$ 0	\$ 9,053,430
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 491,472	\$ 491,472
USDA - Commodities	0	0	51,175	51,175
Breakfast	0	0	263,579	263,579
USDA - Other	0	0	5,652	5,652
Adult Education State Grant Program	49,566	0	0	49,566
Vocational Education - Basic Grants to States	0	30,302	0	30,302
Title I Grants to Local Education Agencies	0	428,624	0	428,624
Special Education - Grants to States	0	475,464	0	475,464
Special Education Preschool Grants	0	14,345	0	14,345
Rural Education	0	43,120	0	43,120
Eisenhower Professional Development State Grants	0	90,154	0	90,154
Job Training Partnership Act	0	11,000	0	11,000
Race-to-the-Top - ARRA	0	124,163	0	124,163
Other Federal through State	134,400	0	0	134,400
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	102,074	0	102,074
Total Federal Government	\$ 183,966	\$ 1,319,246	\$ 811,878	\$ 2,315,090
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 54,500	\$ 0	\$ 0	\$ 54,500
Total Other Governments and Citizens Groups	\$ 54,500	\$ 0	\$ 0	\$ 54,500
Total	\$ 11,849,498	\$ 1,319,246	\$ 998,288	\$ 14,167,032

Exhibit J-7

Jackson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Other Per Diem and Fees	\$	18,025	
Social Security		1,434	
Audit Services		8,164	
Communication		178	
Dues and Memberships		6,021	
Travel		55	
Other Contracted Services		2,914	
Total County Commission			\$ 36,791

Board of Equalization

Board and Committee Members Fees	\$	900	
Total Board of Equalization			900

Beer Board

Legal Notices, Recording, and Court Costs	\$	80	
Total Beer Board			80

County Mayor/Executive

County Official/Administrative Officer	\$	64,053	
Accountants/Bookkeepers		36,599	
Clerical Personnel		23,375	
Social Security		9,507	
Communication		3,015	
Dues and Memberships		1,216	
Maintenance and Repair Services - Office Equipment		308	
Travel		805	
Office Supplies		2,626	
Data Processing Equipment		5,206	
Total County Mayor/Executive			146,710

County Attorney

County Official/Administrative Officer	\$	5,325	
Social Security		407	
Total County Attorney			5,732

Election Commission

County Official/Administrative Officer	\$	49,911	
Election Commission		13,561	
Election Workers		23,105	
In-Service Training		2,487	
Social Security		4,856	
Communication		1,909	
Legal Notices, Recording, and Court Costs		2,628	
Printing, Stationery, and Forms		14,146	
Travel		1,678	
Other Contracted Services		3,400	
Office Supplies		2,151	
Data Processing Equipment		448	
Voting Machines		8,052	
Total Election Commission			128,332

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	55,457	
Clerical Personnel		23,375	
Social Security		6,031	
Communication		1,931	
Data Processing Services		4,598	
Dues and Memberships		650	
Travel		114	
Office Supplies		853	
Total Register of Deeds			\$ 93,009

County Buildings

Custodial Personnel	\$	14,742	
Other Salaries and Wages		28,892	
Social Security		3,338	
Communication		1,204	
Maintenance and Repair Services - Buildings		25,207	
Pest Control		2,275	
Custodial Supplies		4,937	
Electricity		45,826	
Natural Gas		8,551	
Water and Sewer		1,281	
Other Supplies and Materials		76	
Total County Buildings			136,329

Preservation of Records

Communication	\$	458	
Custodial Supplies		53	
Office Supplies		960	
Total Preservation of Records			1,471

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	55,457	
Clerical Personnel		23,375	
Social Security		6,031	
Audit Services		3,511	
Communication		967	
Data Processing Services		700	
Dues and Memberships		650	
Travel		672	
Office Supplies		1,783	
Total Property Assessor's Office			93,146

Reappraisal Program

Travel	\$	235	
Total Reappraisal Program			235

County Trustee's Office

County Official/Administrative Officer	\$	55,457	
Deputy(ies)		23,375	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Social Security	\$	6,031	
Communication		1,274	
Dues and Memberships		437	
Travel		13	
Office Supplies		2,069	
Data Processing Equipment		6,938	
Total County Trustee's Office			\$ 95,594

County Clerk's Office

County Official/Administrative Officer	\$	55,457	
Deputy(ies)		47,193	
Social Security		7,852	
Communication		1,673	
Dues and Memberships		337	
Printing, Stationery, and Forms		2,388	
Office Supplies		397	
Data Processing Equipment		10,527	
Total County Clerk's Office			125,824

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	55,457	
Deputy(ies)		77,992	
Jury and Witness Expense		8,000	
Other Per Diem and Fees		336	
Social Security		10,209	
Communication		2,840	
Printing, Stationery, and Forms		784	
Office Supplies		4,567	
Data Processing Equipment		13,485	
Total Circuit Court			173,670

General Sessions Court

Judge(s)	\$	95,210	
Secretary(ies)		23,375	
Social Security		9,072	
Communication		799	
Travel		876	
Office Supplies		1,306	
Total General Sessions Court			130,638

Chancery Court

County Official/Administrative Officer	\$	55,457	
Deputy(ies)		23,375	
Social Security		6,029	
Communication		1,432	
Dues and Memberships		337	
Travel		388	
Office Supplies		1,729	
Total Chancery Court			88,747

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Youth Service Officer(s)	\$	23,375	
Social Security		1,788	
Communication		1,699	
Travel		552	
Other Contracted Services		7,650	
Total Juvenile Court			\$ 35,064

Judicial Commissioners

County Official/Administrative Officer	\$	34,809	
In-Service Training		609	
Social Security		2,663	
Travel		183	
Total Judicial Commissioners			38,264

Other Administration of Justice

County Official/Administrative Officer	\$	2,000	
Clerical Personnel		1,000	
Social Security		253	
Total Other Administration of Justice			3,253

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,029	
Deputy(ies)		394,881	
Salary Supplements		6,600	
Secretary(ies)		26,304	
School Resource Officer		61,173	
In-Service Training		8,790	
Social Security		42,355	
Communication		16,835	
Contracts with Government Agencies		8,421	
Dues and Memberships		2,322	
Maintenance and Repair Services - Equipment		13,939	
Maintenance and Repair Services - Vehicles		37,344	
Printing, Stationery, and Forms		2,339	
Towing Services		7,440	
Travel		1,911	
Equipment Parts - Light		448	
Gasoline		90,863	
Law Enforcement Supplies		11,991	
Office Supplies		7,966	
Tires and Tubes		8,888	
Uniforms		4,323	
Data Processing Equipment		7,030	
Other Equipment		896	
Total Sheriff's Department			824,088

Drug Enforcement

Animal Food and Supplies	\$	283	
Total Drug Enforcement			283

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Administration of the Sexual Offender Registry

Constitutional Officers' Operating Expenses	\$ 1,498	
Total Administration of the Sexual Offender Registry		\$ 1,498

Jail

Supervisor/Director	\$ 32,288	
Guards	524,484	
Cafeteria Personnel	60,272	
In-Service Training	5,393	
Social Security	47,199	
Communication	15,750	
Maintenance Agreements	8,887	
Maintenance and Repair Services - Buildings	8,310	
Maintenance and Repair Services - Equipment	25,252	
Medical and Dental Services	154,561	
Pest Control	1,105	
Custodial Supplies	20,560	
Electricity	41,099	
Food Preparation Supplies	8,920	
Food Supplies	126,195	
Natural Gas	15,967	
Prisoners Clothing	4,423	
Uniforms	4,783	
Water and Sewer	21,093	
Other Supplies and Materials	8,412	
Total Jail		1,134,953

Fire Prevention and Control

Contracts with Government Agencies	\$ 1,500	
Contributions	13,500	
Matching Share	24,635	
Other Equipment	60,415	
Total Fire Prevention and Control		100,050

Other Emergency Management

Communication	\$ 711	
Contributions	65,900	
Travel	125	
Data Processing Equipment	30,387	
Other Equipment	154,000	
Total Other Emergency Management		251,123

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 5,135	
Other Salaries and Wages	3,565	
In-Service Training	200	
Social Security	273	
Communication	4,580	
Maintenance and Repair Services - Buildings	6,469	
Travel	2,046	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Custodial Supplies	\$	469	
Drugs and Medical Supplies		2,992	
Electricity		8,661	
Office Supplies		2,349	
Water and Sewer		916	
Total Local Health Center			\$ 37,655

Ambulance/Emergency Medical Services

Supervisor/Director	\$	46,875	
Medical Personnel		388,915	
Clerical Personnel		24,420	
In-Service Training		7,755	
Social Security		34,846	
Communication		4,747	
Laundry Service		3,040	
Licenses		2,048	
Maintenance and Repair Services - Buildings		647	
Maintenance and Repair Services - Equipment		7,108	
Maintenance and Repair Services - Vehicles		9,289	
Custodial Supplies		1,750	
Diesel Fuel		26,734	
Drugs and Medical Supplies		29,609	
Electricity		12,324	
Natural Gas		3,480	
Office Supplies		3,889	
Uniforms		3,458	
Water and Sewer		427	
Data Processing Equipment		19,853	
Other Equipment		108,256	
Total Ambulance/Emergency Medical Services			739,470

Regional Mental Health Center

Contributions	\$	4,648	
Total Regional Mental Health Center			4,648

Appropriation to State

Contributions	\$	16,200	
Total Appropriation to State			16,200

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$	11,599	
Social Security		887	
Communication		703	
Maintenance and Repair Services - Buildings		94	
Office Supplies		356	
Utilities		6,818	
Total Adult Activities			20,457

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Senior Citizens Assistance

Supervisor/Director	\$	11,599	
Other Salaries and Wages		5,728	
Social Security		1,325	
Communication		875	
Maintenance and Repair Services - Buildings		165	
Office Supplies		28	
Utilities		5,684	
Total Senior Citizens Assistance			\$ 25,404

Libraries

Assistant(s)	\$	12,613	
Supervisor/Director		23,375	
Custodial Personnel		100	
Social Security		2,753	
Communication		1,927	
Maintenance Agreements		622	
Travel		100	
Custodial Supplies		1,000	
Library Books/Media		11,607	
Natural Gas		23	
Office Supplies		455	
Data Processing Equipment		6,710	
Total Libraries			61,285

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	24,852	
Secretary(ies)		4,426	
Social Security		1,139	
Extension Service Medicare		206	
State Retirement		2,750	
Communication		2,057	
Contracts with Private Agencies		10,120	
Travel		800	
Data Processing Equipment		1,255	
Total Agriculture Extension Service			47,605

Soil Conservation

Salary Supplements	\$	51,895	
Social Security		3,970	
Matching Share		28,000	
Other Contracted Services		289,158	
Total Soil Conservation			373,023

Other Operations

Industrial Development

Advertising	\$	2,264	
Other Supplies and Materials		976	
Other Charges		1,141	
Total Industrial Development			4,381

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Economic and Community Development

Travel	\$	90	
Other Contracted Services		14,286	
Total Other Economic and Community Development			\$ 14,376

Airport

Communication	\$	567	
Engineering Services		63,512	
Maintenance and Repair Services - Buildings		875	
Electricity		1,824	
Airport Improvement		90,282	
Total Airport			157,060

Other Charges

Liability Insurance	\$	194,157	
Premiums on Corporate Surety Bonds		5,519	
Trustee's Commission		61,625	
Workers' Compensation Insurance		103,203	
Total Other Charges			364,504

Contributions to Other Agencies

Contributions	\$	28,528	
Total Contributions to Other Agencies			28,528

Employee Benefits

State Retirement	\$	131,887	
Unemployment Compensation		29,595	
Total Employee Benefits			161,482

Miscellaneous

Contributions	\$	55,225	
Legal Services		6,825	
Legal Notices, Recording, and Court Costs		1,901	
Postal Charges		17,115	
Other Contracted Services		12,000	
Trustee's Commission		2,553	
Other Charges		54,017	
Total Miscellaneous			149,636

Highways

Litter and Trash Collection

Guards	\$	8,184	
Clerical Personnel		4,953	
Social Security		626	
Maintenance and Repair Services - Vehicles		3,565	
Gasoline		5,557	
Instructional Supplies and Materials		1,780	
Total Litter and Trash Collection			24,665

Total General Fund \$ 5,876,163

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Truck Drivers	\$	41,514	
Social Security		3,176	
Maintenance and Repair Services - Equipment		6,811	
Maintenance and Repair Services - Vehicles		21,134	
Contracts for Landfill Facilities		143,811	
Diesel Fuel		22,303	
Gasoline		4,903	
Tires and Tubes		9,483	
Other Supplies and Materials		3,147	
Solid Waste Equipment		1,007	
Total Waste Pickup	\$		257,289

Convenience Centers

Guards	\$	147,798	
Social Security		11,287	
State Retirement		3,522	
Communication		4,010	
Electricity		9,460	
Water and Sewer		1,927	
Solid Waste Equipment		514	
Total Convenience Centers			178,518

Other Operations

Other Charges

Trustee's Commission	\$	9,448	
Total Other Charges			9,448

Total Solid Waste/Sanitation Fund \$ 445,255

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	3,000	
Animal Food and Supplies		796	
Trustee's Commission		258	
Total Drug Enforcement	\$		4,054

Total Drug Control Fund 4,054

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	1,160	
Total Chancery Court	\$		1,160

Total Constitutional Officers - Fees Fund 1,160

(Continued)

## Exhibit J-7

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

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$	63,343	
Accountants/Bookkeepers		43,368	
Clerical Personnel		2,400	
State Retirement		7,769	
Dues and Memberships		2,417	
Maintenance and Repair Services - Office Equipment		6,650	
Postal Charges		425	
Printing, Stationery, and Forms		958	
Office Supplies		3,430	
Other Charges		4,431	
Total Administration			\$ 135,191

Highway and Bridge Maintenance

Foremen	\$	46,152	
Equipment Operators		148,238	
Truck Drivers		36,584	
Laborers		192,446	
State Retirement		20,072	
Other Contracted Services		619,216	
Asphalt - Cold Mix		42,896	
Asphalt - Hot Mix		86,785	
Asphalt - Liquid		187,346	
Concrete		1,949	
Crushed Stone		241,314	
General Construction Materials		2,796	
Other Road Supplies		5,051	
Pipe		22,422	
Road Signs		6,273	
Wood Products		3,940	
Other Supplies and Materials		382	
Right-of-Way		600	
Total Highway and Bridge Maintenance			1,664,462

Operation and Maintenance of Equipment

Mechanic(s)	\$	69,281	
Nightwatchmen		36,400	
State Retirement		3,379	
Diesel Fuel		126,479	
Equipment and Machinery Parts		26,456	
Garage Supplies		94	
Gasoline		72,421	
Lubricants		6,281	
Small Tools		169	
Tires and Tubes		33,326	
Uniforms		7,082	
Other Supplies and Materials		1,777	
Total Operation and Maintenance of Equipment			383,145

Other Charges

Communication	\$	3,736	
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(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Electricity	\$	2,800	
Natural Gas		4,872	
Water and Sewer		207	
Building and Contents Insurance		2,129	
Liability Insurance		6,032	
Premiums on Corporate Surety Bonds		400	
Trustee's Commission		17,939	
Vehicle and Equipment Insurance		16,678	
Total Other Charges			\$ 54,793

Employee Benefits

Social Security	\$	48,823	
Unemployment Compensation		7,097	
Workers' Compensation Insurance		58,911	
Total Employee Benefits			114,831

Capital Outlay

Engineering Services	\$	91,244	
Bridge Construction		1,038,285	
Highway Equipment		1,300	
Total Capital Outlay			1,130,829

Principal on Debt

Highways and Streets

Principal on Notes	\$	91,937	
Total Highways and Streets			91,937

Interest on Debt

Highways and Streets

Interest on Notes	\$	9,180	
Total Highways and Streets			9,180

Total Highway/Public Works Fund \$ 3,584,368

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$	734	
Total Other Charges			\$ 734

Principal on Debt

General Government

Principal on Bonds	\$	9,057	
Principal on Notes		226,245	
Principal on Other Loans		159,000	
Total General Government			394,302

Education

Principal on Other Loans	\$	405,000	
Total Education			405,000

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$	8,781	
Interest on Notes		24,613	
Interest on Other Loans		<u>13,394</u>	
Total General Government	\$		46,788

Education

Interest on Other Loans	\$	<u>30,828</u>	
Total Education			30,828

Other Debt Service

General Government

Other Debt Service	\$	<u>22,087</u>	
Total General Government			22,087

Education

Other Debt Service	\$	<u>54,250</u>	
Total Education			<u>54,250</u>

Total General Debt Service Fund \$ 953,989

Community Development/Industrial Park Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$	4,022	
Utilities		<u>2,787</u>	
Total County Buildings	\$		6,809

Other Operations

Industrial Development

Matching Share	\$	53,720	
Utilities		<u>1,000</u>	
Total Industrial Development			54,720

Other Charges

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

Total Community Development/Industrial Park Fund 61,649

Total Governmental Funds - Primary Government \$ 10,926,638

Exhibit J-8

Jackson County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Jackson County School Department  
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,515,659	
Career Ladder Program		37,925	
Career Ladder Extended Contracts		1,740	
Homebound Teachers		1,958	
Educational Assistants		89,998	
Other Salaries and Wages		3,903	
Certified Substitute Teachers		16,309	
Non-certified Substitute Teachers		75,071	
Social Security		216,130	
State Retirement		320,635	
Medical Insurance		293,953	
Unemployment Compensation		5,555	
Employer Medicare		50,663	
Other Fringe Benefits		8,700	
Contracts with Private Agencies		380	
Other Contracted Services		11,205	
Instructional Supplies and Materials		51,352	
Textbooks		222,781	
Other Supplies and Materials		24,972	
Indirect Cost		3,347	
Regular Instruction Equipment		37,323	
Total Regular Instruction Program			\$ 4,989,559

Alternative Instruction Program

Teachers	\$	88,507	
Career Ladder Program		2,000	
Educational Assistants		12,760	
Social Security		5,864	
State Retirement		8,946	
Medical Insurance		10,585	
Unemployment Compensation		162	
Employer Medicare		1,371	
Other Fringe Benefits		200	
Instructional Supplies and Materials		386	
Total Alternative Instruction Program			130,781

Special Education Program

Teachers	\$	447,399
Career Ladder Program		3,000
Homebound Teachers		338
Educational Assistants		42,805
Certified Substitute Teachers		2,892
Non-certified Substitute Teachers		8,727
Social Security		27,969
State Retirement		41,623
Medical Insurance		62,704
Unemployment Compensation		964
Employer Medicare		6,550
Other Fringe Benefits		1,000

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Contracts with Other Public Agencies	\$	648	
Contracts with Private Agencies		1,178	
Other Supplies and Materials		475	
Total Special Education Program			\$ 648,272

Vocational Education Program

Teachers	\$	240,118	
Career Ladder Program		1,920	
Non-certified Substitute Teachers		8,738	
Social Security		14,669	
State Retirement		21,493	
Medical Insurance		17,549	
Unemployment Compensation		351	
Employer Medicare		3,430	
Other Fringe Benefits		600	
Contracts with Other School Systems		130,898	
Maintenance and Repair Services - Equipment		115	
Instructional Supplies and Materials		5,678	
Other Supplies and Materials		841	
In Service/Staff Development		171	
Vocational Instruction Equipment		399	
Total Vocational Education Program			446,970

Adult Education Program

Teachers	\$	38,597	
Social Security		2,398	
State Retirement		3,435	
Medical Insurance		4,000	
Unemployment Compensation		60	
Employer Medicare		565	
Other Fringe Benefits		100	
Instructional Supplies and Materials		536	
Total Adult Education Program			49,691

Support Services

Attendance

Supervisor/Director	\$	50,358	
Career Ladder Program		1,000	
Clerical Personnel		25,351	
Social Security		4,423	
State Retirement		5,972	
Medical Insurance		3,978	
Unemployment Compensation		166	
Employer Medicare		1,066	
Other Fringe Benefits		100	
Travel		1,403	
Other Contracted Services		4,405	
Other Supplies and Materials		54	
Attendance Equipment		95	
Total Attendance			98,371

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	86,257	
Other Salaries and Wages		30,293	
Social Security		6,241	
State Retirement		7,775	
Medical Insurance		16,775	
Unemployment Compensation		228	
Employer Medicare		1,460	
Other Fringe Benefits		200	
Communication		600	
Postal Charges		800	
Printing, Stationery, and Forms		2,500	
Travel		1,893	
Drugs and Medical Supplies		783	
Other Supplies and Materials		19,961	
Total Health Services			\$ 175,766

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		167,392	
Social Security		10,239	
State Retirement		15,131	
Medical Insurance		9,681	
Unemployment Compensation		189	
Employer Medicare		2,395	
Other Fringe Benefits		300	
Contracts with Government Agencies		60,000	
Evaluation and Testing		6,688	
Total Other Student Support			275,015

Regular Instruction Program

Supervisor/Director	\$	45,189	
Career Ladder Program		4,000	
Librarians		145,859	
Instructional Computer Personnel		24,512	
Other Salaries and Wages		45,426	
Certified Substitute Teachers		465	
Non-certified Substitute Teachers		3,825	
Social Security		15,100	
State Retirement		21,094	
Medical Insurance		11,983	
Unemployment Compensation		430	
Employer Medicare		3,777	
Other Fringe Benefits		500	
Communication		250	
Postal Charges		500	
Printing, Stationery, and Forms		500	
Travel		6,177	
Library Books/Media		4,898	
Other Supplies and Materials		163	
In Service/Staff Development		200	
Total Regular Instruction Program			334,848

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	62,850	
Career Ladder Program		3,000	
Psychological Personnel		33,863	
Social Security		5,558	
State Retirement		8,855	
Medical Insurance		12,585	
Unemployment Compensation		94	
Employer Medicare		1,300	
Other Fringe Benefits		200	
Travel		1,315	
Other Supplies and Materials		999	
In Service/Staff Development		80	
Total Special Education Program			\$ 130,699

Vocational Education Program

Supervisor/Director	\$	11,753	
Social Security		729	
State Retirement		1,044	
Employer Medicare		171	
Travel		500	
Other Supplies and Materials		129	
Total Vocational Education Program			14,326

Adult Programs

Supervisor/Director	\$	7,623	
Clerical Personnel		11,541	
Social Security		1,068	
State Retirement		1,528	
Unemployment Compensation		54	
Employer Medicare		247	
Communication		1,680	
In Service/Staff Development		883	
Total Adult Programs			24,624

Other Programs

On-Behalf Payments to OPEB	\$	50,564	
Total Other Programs			50,564

Board of Education

Other Salaries and Wages	\$	7,500	
Social Security		465	
Life Insurance		8,720	
Medical Insurance		4,952	
Employer Medicare		109	
Audit Services		2,500	
Dues and Memberships		6,768	
Other Contracted Services		2,000	
Other Supplies and Materials		5,039	
Liability Insurance		97,840	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Premiums on Corporate Surety Bonds	\$	175	
Trustee's Commission		59,422	
Workers' Compensation Insurance		117,124	
Total Board of Education			\$ 312,614

Director of Schools

County Official/Administrative Officer	\$	76,524	
Career Ladder Program		1,000	
Social Security		4,685	
State Retirement		6,884	
Medical Insurance		3,978	
Unemployment Compensation		54	
Employer Medicare		1,096	
Other Fringe Benefits		100	
Communication		5,632	
Postal Charges		279	
Travel		4,719	
Other Contracted Services		6,287	
Office Supplies		571	
In Service/Staff Development		80	
Administration Equipment		131	
Total Director of Schools			112,020

Office of the Principal

Principals	\$	211,262	
Career Ladder Program		5,000	
Assistant Principals		97,602	
Secretary(ies)		79,829	
Clerical Personnel		58,751	
Social Security		26,536	
State Retirement		36,818	
Medical Insurance		17,375	
Unemployment Compensation		838	
Employer Medicare		6,331	
Other Fringe Benefits		600	
Communication		41,468	
Dues and Memberships		2,900	
Travel		1,337	
Other Contracted Services		1,868	
Office Supplies		1,721	
Total Office of the Principal			590,236

Fiscal Services

Supervisor/Director	\$	35,663	
Accountants/Bookkeepers		60,058	
Secretary(ies)		26,454	
Clerical Personnel		26,631	
Other Salaries and Wages		13,907	
Social Security		9,890	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

State Retirement	\$	11,190	
Medical Insurance		3,179	
Unemployment Compensation		300	
Employer Medicare		2,313	
Travel		2,963	
Other Contracted Services		13,398	
Data Processing Supplies		1,584	
Office Supplies		442	
Administration Equipment		5,472	
Total Fiscal Services			\$ 213,444

Operation of Plant

Custodial Personnel	\$	241,371	
Social Security		14,763	
State Retirement		14,653	
Unemployment Compensation		867	
Employer Medicare		3,453	
Rentals		29,518	
Other Contracted Services		1,200	
Custodial Supplies		62,703	
Electricity		383,334	
Natural Gas		43,763	
Water and Sewer		32,245	
Plant Operation Equipment		251	
Total Operation of Plant			828,121

Maintenance of Plant

Supervisor/Director	\$	39,711	
Other Salaries and Wages		48,997	
Social Security		5,412	
State Retirement		6,316	
Unemployment Compensation		161	
Employer Medicare		1,265	
Maintenance and Repair Services - Buildings		9,842	
Maintenance and Repair Services - Equipment		4,262	
Travel		1,698	
Other Contracted Services		33,434	
Other Supplies and Materials		58,002	
Maintenance Equipment		6,764	
Total Maintenance of Plant			215,864

Transportation

Mechanic(s)	\$	8,469	
Bus Drivers		209,657	
Other Salaries and Wages		22,837	
Social Security		14,707	
State Retirement		9,634	
Unemployment Compensation		824	
Employer Medicare		3,439	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Contracts with Vehicle Owners	\$	244,889	
Maintenance and Repair Services - Vehicles		18,919	
Other Contracted Services		24,300	
Gasoline		113,065	
Lubricants		3,772	
Tires and Tubes		8,102	
Vehicle Parts		17,898	
Other Supplies and Materials		9,654	
Vehicle and Equipment Insurance		21,477	
Transportation Equipment		156,291	
Total Transportation			\$ 887,934

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	56,082	
Career Ladder Program		1,000	
Social Security		3,150	
State Retirement		5,069	
Medical Insurance		6,522	
Unemployment Compensation		54	
Employer Medicare		737	
Other Fringe Benefits		100	
Total Food Service			72,714

Community Services

Supervisor/Director	\$	41,810	
Social Security		2,464	
State Retirement		3,713	
Medical Insurance		4,007	
Unemployment Compensation		54	
Employer Medicare		576	
Other Fringe Benefits		100	
Communication		499	
Travel		658	
Other Supplies and Materials		93	
Total Community Services			53,974

Early Childhood Education

Supervisor/Director	\$	43,500	
Teachers		113,359	
Educational Assistants		42,367	
Certified Substitute Teachers		665	
Non-certified Substitute Teachers		1,189	
Social Security		11,939	
State Retirement		16,888	
Medical Insurance		9,773	
Unemployment Compensation		340	
Employer Medicare		2,792	
Other Fringe Benefits		300	

(Continued)

Exhibit J-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Early Childhood Education (Cont.)</u>		
Communication	\$ 1,558	
Postal Charges	600	
Travel	9,717	
Other Supplies and Materials	53,476	
Indirect Cost	6,723	
Total Early Childhood Education		\$ 315,186
<u>Capital Outlay</u>		
<u>Regular Capital Outlay</u>		
Building Improvements	\$ 141,412	
Other Capital Outlay	32,800	
Total Regular Capital Outlay		174,212
<u>Principal on Debt</u>		
<u>Education</u>		
Debt Service Contribution to Primary Government	\$ 405,000	
Total Education		405,000
<u>Interest on Debt</u>		
<u>Education</u>		
Debt Service Contribution to Primary Government	\$ 31,429	
Total Education		31,429
<u>Other Debt Service</u>		
<u>Education</u>		
Debt Service Contribution to Primary Government	\$ 53,649	
Total Education		53,649
Total General Purpose School Fund		\$ 11,635,883
<u>School Federal Projects Fund</u>		
<u>Instruction</u>		
<u>Regular Instruction Program</u>		
Teachers	\$ 263,574	
Educational Assistants	90,639	
Other Salaries and Wages	7,000	
Certified Substitute Teachers	3,854	
Non-certified Substitute Teachers	4,350	
Social Security	20,118	
State Retirement	28,812	
Medical Insurance	31,776	
Unemployment Compensation	801	
Employer Medicare	4,916	
Other Fringe Benefits	500	
Instructional Supplies and Materials	53,840	
Regular Instruction Equipment	65,155	
Total Regular Instruction Program		\$ 575,335

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	42,385	
Educational Assistants		226,397	
Speech Pathologist		58,000	
Other Salaries and Wages		9,595	
Social Security		19,732	
State Retirement		24,219	
Medical Insurance		15,105	
Unemployment Compensation		1,105	
Employer Medicare		4,615	
Other Fringe Benefits		200	
Contracts with Private Agencies		33,726	
Instructional Supplies and Materials		3,463	
Other Supplies and Materials		7,887	
Special Education Equipment		16,773	
Total Special Education Program			\$ 463,202

Vocational Education Program

Teachers	\$	9,452	
Social Security		531	
State Retirement		839	
Unemployment Compensation		53	
Employer Medicare		124	
Other Contracted Services		1,500	
Instructional Supplies and Materials		5,185	
Vocational Instruction Equipment		13,515	
Total Vocational Education Program			31,199

Support Services

Other Student Support

Bus Drivers	\$	525	
Other Salaries and Wages		750	
Social Security		79	
State Retirement		67	
Unemployment Compensation		7	
Employer Medicare		18	
Travel		8,217	
Other Charges		4,141	
Total Other Student Support			13,804

Regular Instruction Program

Supervisor/Director	\$	95,350	
Social Security		5,768	
State Retirement		8,467	
Medical Insurance		7,955	
Unemployment Compensation		54	
Employer Medicare		1,350	
Travel		4,210	
Other Contracted Services		71,046	
Library Books/Media		22,664	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Supplies and Materials	\$	9,632	
In Service/Staff Development		6,176	
Total Regular Instruction Program			\$ 232,672

Special Education Program

Psychological Personnel	\$	11,287	
Social Security		700	
State Retirement		1,002	
Unemployment Compensation		2	
Employer Medicare		164	
Travel		3,716	
Other Contracted Services		12,188	
Other Supplies and Materials		1,968	
In Service/Staff Development		5,589	
Other Charges		373	
Other Equipment		235	
Total Special Education Program			37,224

Vocational Education Program

In Service/Staff Development	\$	440	
Total Vocational Education Program			440

Transportation

Other Salaries and Wages	\$	9,414	
Social Security		584	
State Retirement		670	
Unemployment Compensation		24	
Employer Medicare		136	
Total Transportation			10,828

Total School Federal Projects Fund \$ 1,364,704

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	319,795	
Social Security		19,475	
State Retirement		20,739	
Unemployment Compensation		1,246	
Employer Medicare		4,555	
Communication		1,504	
Maintenance Agreements		5,985	
Maintenance and Repair Services - Equipment		5,217	
Travel		3,400	
Other Contracted Services		3,799	
Food Supplies		403,327	
USDA - Commodities		51,175	
Other Supplies and Materials		43,566	
In Service/Staff Development		2,535	
Food Service Equipment		24,486	
Total Food Service			\$ 910,804

Total Central Cafeteria Fund 910,804

Total Governmental Funds - Jackson County School Department \$ 13,911,391

Exhibit J-9

Jackson County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 265,451
Total Cash Receipts	<u>\$ 265,451</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 262,796
Trustee's Commission	<u>2,655</u>
Total Cash Disbursements	<u>\$ 265,451</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2012	<u>0</u>
 Cash Balance, June 30, 2013	 <u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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

**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jackson County's basic financial statements, and have issued our report thereon dated October 30, 2013. Our report includes a reference to other auditors who audited the financial statements of the Jackson County Emergency Communications District, as described in our report on Jackson County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jackson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2013-001, 2013-008, and 2013-017.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-003(D), 2013-004, 2013-005, 2013-006, 2013-010, 2013-013, 2013-015, and 2013-016.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jackson County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-002, 2013-003(A,B,C), 2013-007, 2013-009, 2013-11, 2013-12, and 2013-014.

## **Jackson County's Responses to Findings**

Jackson County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Jackson County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 30, 2013

JPW/sb



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

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Jackson County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jackson County's major federal programs for the year ended June 30, 2013. Jackson County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Jackson County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and*

*Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jackson County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Jackson County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

Management of Jackson County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jackson County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over compliance.

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

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

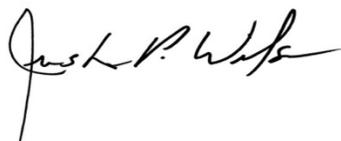
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jackson County's basic financial statements. We issued our report thereon dated October 30, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 30, 2013

JPW/sb

Jackson County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2013

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Emergency Watershed Protection Program	10.923	N/A	\$ 216,528
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	263,579
National School Lunch Program	10.555	N/A	497,124 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	51,175 (3)
Total U.S. Department of Agriculture			<u>\$ 1,028,406</u>
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-12-38120-00	\$ 299,160
U.S. Department of the Interior - Bureau of Land Management :			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 21,479
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 11,000
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	(2)	\$ 86,301
Alcohol Open Container Requirements	20.607	(4)	33,045
Total U.S. Department of Transportation			<u>\$ 119,346</u>
Appalachian Regional Commission :			
Passed-through Tennessee Technological University:			
Appalachian Area Development	23.002	TN16661-2011	\$ 14,286
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 49,566
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	465,279
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	506,254
Special Education - Preschool Grants	84.173	N/A	15,679
Career and Technical Education - Basic Grants to States	84.048	N/A	30,302
Rural Education	84.358	N/A	44,209
Improving Teacher Quality State Grants	84.367	N/A	93,717
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	119,690
Total U.S. Department of Education			<u>\$ 1,324,696</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Direct Program:			
Substance Abuse and Mental Health Service - Projects of Regional and National Significance	93.243	N/A	\$ 102,074
Passed-through Upper Cumberland Development District:			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	(2)	6,657
Total U.S. Department of Health and Human Services			\$ 108,731
U.S. Department of Homeland Security:			
Passed through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 559,374
Hazard Mitigation Grant	97.039	(2)	15,465
Total U.S. Department of Homeland Security			\$ 574,839
Total Expenditures of Federal Awards			\$ 3,501,943

State Grants

		Contract Number	
Lottery for Education - PreK - State Department of Education	N/A	(2)	\$ 315,186
Lottery for Education - After School Program (LEAPS) - State Department of Education	N/A	(2)	134,400
Coordinated School Health - State Department of Education	N/A	(2)	100,000
Family Resource Center - State Department of Education	N/A	(2)	29,612
Safe Schools - State Department of Education	N/A	(2)	9,200
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	10,961
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Aging Program - Upper Cumberland Development District	N/A	(2)	6,354
Tennessee Agriculture Enhancement Program - State Department of Agriculture	N/A	(2)	665
Law Enforcement Training - State Department of Safety	N/A	(2)	6,600
Local Health Services Grant - State Department of Health	N/A	(2)	5,926
Litter Program - State Department of Transportation	N/A	(2)	22,130
Rural Library Laptop Labs - Tennessee Secretary of State	N/A	(2)	1,376
Disaster Relief Grant Program - State Department of Military	N/A	(2)	123,512
Hazard Mitigation Grant Program - State Department of Military	N/A	(2)	1,766
State Transportation Equity Fund Grant - State Department of Transportation	N/A	(2)	69,931
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	4,000
Total State Grants			\$ 850,619

CFDA = Catalog of Federal Domestic Assistance  
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$548,299.
- (4) Z12GHS144: \$12,946; Z13GHS155: \$20,099.

Jackson County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2013

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Jackson County, Tennessee, for the year ended June 30, 2012, which have not been corrected.

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	150	The General Fund required material audit adjustments for proper financial statement presentation
12.03	151	The general ledger cash account for the General Fund was not reconciled with the county trustee reports
12.04(C,D)	151	The office had deficiencies in budget operations
12.05(B,C)	153	The office had deficiencies in purchasing procedures
12.08	156	Leave records were not on file to support payroll disbursements
12.09	156	General ledger payroll liability accounts were not reconciled

**OFFICE OF ROAD SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.02	150	The Highway/Public Works Fund had a deficit in unassigned fund balance

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.13	158	Multiple employees operated from the same cash drawer

**OFFICE OF COUNTY CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.14	159	Bank statements were not reconciled with the general ledger

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.15	159	Execution docket trial balances did not reconcile with general ledger accounts

**OFFICE OF CLERK AND MASTER**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.16	160	Some collections were not deposited within three days

**JACKSON COUNTY**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.17	160	Jackson County has a material recurring audit finding

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.18	161	Duties were not segregated adequately

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**JACKSON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2013**

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

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1. Our report on the financial statements of Jackson County is unmodified.
2. The audit of the financial statements of Jackson County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Jackson County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified 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 Emergency Watershed Protection Program (CFDA No. 10.923), the Community Development Block Program (CFDA No. 14.228), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States, and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Jackson County did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination and the annual monitoring by the State Department of Property Assessments on assessors of property, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county mayor and director of schools provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 2013-001**

#### **THE GENERAL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

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

At June 30, 2013, certain general ledger account balances in the General Fund were not materially correct. Audit adjustments totaling \$376,848 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Jackson County to have adequate controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

#### **RECOMMENDATION**

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

#### **MANAGEMENT'S RESPONSE – COUNTY MAYOR**

We concur. We will strive to improve our controls over the financial records to provide for a stronger assurance of accuracy and correctness. Controls will be evaluated and strengthened particularly in the area of grant recognition, receipts, and disbursements.

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FINDING 2013-002

**THE GENERAL LEDGER CASH ACCOUNT FOR THE  
GENERAL FUND WAS NOT PROPERLY RECONCILED  
WITH COUNTY TRUSTEE REPORTS**

(Noncompliance Under *Government Auditing Standards*)

The office did not properly reconcile the general ledger cash account in the General Fund with county trustee reports. The County Mayor's Office attempted to reconcile the cash account with the trustee' report monthly; however, the account did not reconcile with the trustee's report by \$12,123 at June 30, 2013. Section 9-2-138, *Tennessee Code Annotated*, requires officials to reconcile their respective fund accounts with the trustee's reports monthly. Failure to reconcile the general ledger cash account with the county trustee's reports increases the risks that errors may occur and not be detected. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. Cash balances were determined by substantive tests and alternative audit procedures.

RECOMMENDATION

The office should reconcile the General Fund's general ledger cash account with county trustee reports monthly as required by state statute, and any errors discovered should be corrected promptly.

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. Finding 2013-001 has a direct bearing on this finding and the strengthening of the controls for the prior finding will improve the cash reconciliation of all funds with the county trustee.

FINDING 2013-003

**THE OFFICE HAD DEFICIENCIES IN BUDGET  
OPERATIONS**

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

Our audit revealed the following deficiencies in budget operations:

- A. General Debt Service Fund expenditures exceeded total appropriations approved by the County Commission by \$20,266.
- B. Expenditures exceeded appropriations approved by the County Commission in the following General Fund major appropriation categories (the legal level of control):

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
County Mayor/Executive	\$ 1,235
County Attorney	229
Reappraisal Program	235
County Trustee's Office	2,628
Circuit Court	3,251
General Sessions Court	4,887
Juvenile Court	2,399
Judicial Commissioners	1,163
Other Emergency Management	28,923
Adult Activities	920
Senior Citizens Assistance	588
Libraries	1,355
Airport	117,660
Other Charges	14,019
Employee Benefits	5,482
Miscellaneous	53,636

- C. Thirty-four salary line-items exceeded appropriations approved by the County Commission in the General Fund by amounts ranging from \$9 to \$3,808. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.
- D. During the year, General Fund budget amendments totaling \$22,857 were posted to the general ledger instead of being posted to the budget journal. These entries caused those expenditures to be misstated. We presented audit adjustments to management that they approved and posted to properly present the budget and expenditures in this report.

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

## RECOMMENDATION

County officials should ensure that expenditures are held within appropriations approved by the County Commission. Furthermore, budget amendments should be posted to the budget journal rather than the general ledger.

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. We agree that budget operations had not been controlled in an efficient manner. We will monitor budget operations, including the payment of salaries, to ensure that all expenditures are in compliance with budgetary controls and appropriations. Fund expenditures will be held within total appropriations. All budget amendments will be properly recorded in the financial records to ensure budgetary control. All funds from whatever source will be included in the operating budgets of the County Mayor's Office.

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## FINDING 2013-004

### **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

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

Our examination of purchasing procedures revealed the following deficiencies:

- A. In six of the 31 purchases tested, purchase orders were issued after the purchases were made. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.
- B. Purchase orders did not include adequate descriptions and prices of the items to be purchased on nine of the 31 purchases tested. This detailed information is necessary to identify the items to be purchased and to quantify purchasing commitments.

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

## RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made and should include a dollar limit and a description of the purchase.

## MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. This office will continue our effort to increase control over our purchasing procedures. We continue to take steps to ensure that complete, accurate, itemized purchase orders are issued for all applicable purchases.

FINDING 2013-005

**LEAVE RECORDS WERE NOT ON FILE TO SUPPORT PAYROLL DISBURSEMENTS**

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

Personnel policies adopted by various county officials permit employees to accumulate earned but unused vacation, sick, and compensatory leave. However, the County Mayor's Office did not have documentation on file to support leave for these employees and could not provide us with accrued leave balances at June 30, 2013. Leave records reflecting leave earned, used, and the balance are maintained by each department head; however, these records are not centrally filed. Sound business practices dictate that leave records of employees be centrally filed, and Governmental Accounting Standards Board Statement No. 34 requires that all leave should be accrued when incurred in the government-wide financial statements. However, the omission of these amounts was not considered to be material to the county's financial statements. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The failure to maintain adequate documentation of accumulated leave weakens internal controls over the payroll process, increases the risks of improper payments, and prohibits the presentation of accrued leave balances in the financial statements.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY MAYOR

We concur. As noted in the finding, leave records had been maintained in the department by each department head. We will develop procedures to maintain master control records in our office to support payroll disbursements.

FINDING 2013-006

**GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED**

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

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We concur.

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OFFICES OF COUNTY MAYOR AND DIRECTOR OF SCHOOLS

FINDING 2013-007

**THE PRACTICE OF PAYING SCHOOL DEPARTMENT EXPENDITURES FROM THE GENERAL FUND IS OF QUESTIONABLE LEGALITY**

(Noncompliance Under *Government Auditing Standards*)

During the year, the county expended \$54,500 from the General Fund to contribute funds for expenditures in the School Department. Opinion No. 92-03 issued by the Tennessee Attorney General’s Office states “...a county legislative body cannot lawfully divert revenues collected for general county purposes, or other non-education purposes, and apply those moneys to education purposes.” Therefore, we question the legality of using General Fund monies to make contributions to the School Department.

RECOMMENDATION

General Fund monies should not be used to pay education expenses.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We concur.

MANAGEMENT’S RESPONSE – DIRECTOR OF SCHOOLS

The questioned contribution from the local government to the general purpose school budget was approved by the County Commission’s budget committee, full County Commission, and the local school board during budgeting process. This continues a local funding effort toward education. These funds were previously paid directly to Tri-County Vocational School. Once the Vocational School came under the governance of the State Board of Regents, the local government financial responsibility decreased over a four-year time period down to zero. The final year the school district asked the local government to continue their local funding effort toward education by transferring those same dollars to general purpose schools.

AUDITOR’S COMMENT

The transfer of funds from the General Fund to the General Purpose School Fund was approved by the County Commission and the Board of Education; however, it is the state

Attorney General's opinion that the "county legislative body cannot lawfully divert revenues collected for general county purposes, or other non-education purposes, and apply those moneys to education purposes."

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## **OFFICE OF ROAD SUPERINTENDENT**

### **FINDING 2013-008**

### **THE HIGHWAY/PUBLIC WORKS FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2013**

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

The Highway/Public Works Fund had a deficit in unassigned fund balance of \$250,029 at June 30, 2013. This deficit resulted from the deferral of grant revenues of \$414,764 that were not received within the period of availability. This deficit is expected to be liquidated from federal grants subsequent to June 30, 2013.

### **RECOMMENDATION**

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

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## **ASSESSOR OF PROPERTY**

### **FINDING 2013-009**

### **THE ASSESSOR DID NOT PRORATE NEW CONSTRUCTION**

(Noncompliance Under *Government Auditing Standards*)

The assessor did not properly prorate new construction. Assessors are required to pick up new construction or improvements and to prorate their values for the portion of the year following their date of completion. Section 67-5-603(b)(1), *Tennessee Code Annotated (TCA)*, provides that for the year in which an improvement or building is completed, the assessment, or increase in assessment, shall be prorated for the portion of the year following the date of its completion. This deficiency can be attributed to management's failure to properly comply with this statute and resulted in an incorrect assessed value to the affected properties.

### **RECOMMENDATION**

The assessor should prorate new construction and improvements as required by state statute.

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

**FINDING 2013-010**

**MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**

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

Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, and Circuit and General Sessions Courts Clerk. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the official resulting in a loss of control over assets and the failure of management to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

Officials should assign each employee their own cash drawer.

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

**FINDING 2013-011**

**EXECUTION DOCKET TRIAL BALANCES DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**

(Noncompliance Under *Government Auditing Standards*)

At June 30, 2013, the circuit and general sessions courts clerk and the clerk and master prepared trial balances of execution docket cause balances for Circuit, General Sessions, and Chancery courts as required by Section 18-2-104, *Tennessee Code Annotated (TCA)*. However, these trial balances did not reconcile with the general ledger accounts by \$2,465, \$116, and \$6,068, respectively. Therefore, we were unable to determine if the clerks had complied with provisions of the Unclaimed Property Act, Section 66-29-101, *TCA*. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency exists because the clerks failed to correct the finding noted in the prior-year audit report.

## RECOMMENDATION

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

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## OFFICE OF COUNTY CLERK

### FINDING 2013-012

### **THE COUNTY CLERK USED OFFICIAL FUNDS OF THE OFFICE FOR PERSONAL PURPOSES**

(Noncompliance Under *Government Auditing Standards*)

In late April 2013, we received allegations that the county clerk had taken funds from a deposit for her personal use. We also received a letter dated May 3, 2013, from the district attorney general requesting our assistance, along with the Tennessee Bureau of Investigation, to determine if county funds had been used for the clerk's personal expenses. As a result, we traced receipts posted in the general ledger to bank deposits from July 1, 2012, through April 26, 2013, and noted the following deficiencies:

- A. In some instances, the county clerk did not deposit funds within three days of collection. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days of collection. The delay in depositing the funds increases the risks of fraud and abuse.
- B. On April 29, 2013, the cash on hand in the office was counted by auditors and compared with the collections since the last deposit. The collections for the cash receipts report dated April 25, 2013, totaling \$10,326.73 were not presented to the auditors for count and had not been deposited to the bank. We also noted a blank deposit slip in the deposit book that was skipped between two completed deposit slips. On April 30, 2013, the collections totaling \$10,326.73 for April 25, 2013, were in the office and were counted. This deposit was prepared using the blank deposit slip that was noted on the previous day as having been skipped in the deposit book. We also noted that the deposit included cash of \$4,548.48 and that the cash included 41 one hundred dollar bills, which would be highly unusual. The county clerk admitted to auditors that the collections for the April 25, 2013, deposit were not presented to auditors for count on April 29, 2013, because the deposit was short approximately \$1,200. The clerk admitted to taking the funds for her personal use, and stated that she returned the cash to the deposit prior to April 30, 2013. Also, the clerk admitted that this was not the first time she had taken county funds for personal use, but she had replaced all funds taken. On August 21, 2013, the county clerk was indicted by the Jackson County Grand Jury on one count of theft of property (\$1,000 - \$10,000) and one count of official misconduct. She resigned from the office on November 4, 2013.

RECOMMENDATION

The county clerk should ensure that all funds are deposited to the office bank account within three days of collection as required by state statute. Office funds should not be used by the official for personal expenses.

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FINDING 2013-013

**BANK STATEMENTS WERE NOT RECONCILED WITH THE GENERAL LEDGER**

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

Bank statements had not been reconciled with the general ledger. When the auditor began interim work in this office on April 2, 2013, the bank statements for September 2012 through February 2013 had not even been opened by the clerk. Cash in bank at June 30, 2013, was determined by substantive testing and alternative auditing procedures and is properly presented in the financial statements of this report. This deficiency exists because the clerk failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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OFFICE OF CLERK AND MASTER

FINDING 2013-014

**SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected 60 receipts to reconcile with deposits. The clerk and master did not deposit receipts to the bank account within three days of collection in 14 of the 60 receipts tested. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

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

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**OFFICE OF SHERIFF**

**FINDING 2013-015**

**BANK STATEMENTS FOR THE COMMISSARY ACCOUNT WERE NOT RECONCILED WITH THE GENERAL LEDGER**

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

Bank statements for the commissary account had not been reconciled with the general ledger. Sheriff's Department employees attempted reconciliations and identified variances between the bank statement and the general ledger balance on a monthly basis; however the reasons for these variances were not investigated or corrected. Cash in bank at June 30, 2013, was determined by substantive testing and alternative auditing procedures and is properly presented in the financial statements of this report. This deficiency exists due to a lack of management oversight.

**RECOMMENDATION**

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

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

**FINDING 2013-016**

**DUTIES WERE NOT SEGREGATED ADEQUATELY**

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

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

**RECOMMENDATION**

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

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We concur. We are continuing to review the duties of the personnel in the County Mayor’s Office and will continue to take additional steps in our employees’ areas of receipting, depositing, fund disbursement, and record management to provide for clearer lines of responsibility and to strengthen our segregation of duties. We will continue in our effort to strengthen all components of internal control; however, without an adequate number of personnel and financial resources the efforts are hampered.

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JACKSON COUNTY

FINDING 2013-017

**JACKSON COUNTY HAS A MATERIAL RECURRING  
AUDIT FINDING**

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

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

<u>Finding Numbers</u>	<u>Description</u>
2013-001, 12.01, 11.01	The General Fund required material audit adjustments for proper financial statement presentation

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. The Local Government Modernization Act of 2005 in Section 9-3-405, *Tennessee Code Annotated (TCA)*, encourages local governments to consider establishing an Audit Committee to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. Jackson County established an Audit Committee on June 26, 2013.

RECOMMENDATION

The Audit Committee should work with management to address financial and other reporting practices, internal control, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance.

MANAGEMENT’S RESPONSE – COUNTY MAYOR

We concur.

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## **BEST PRACTICE**

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

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

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

There were no findings and questioned costs for federal awards.

**JACKSON COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2013**

There were no audit findings relative to federal awards presented in the prior- or current-years' Schedules of Findings and Questioned Costs.